VOLUME 74 □ NUMBER 11 □ NOVEMBER 1988

FEDERAL RESERVE BULLETIN

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

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

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for maintaining the current degree of pressure on reserve positions. The members decided that somewhat greater reserve restraint would be acceptable, or slightly lesser reserve restraint might be acceptable, over the intermeeting period depending on indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated by the Committee were expected to be consistent with growth of M2 and M3 at annual rates of around 3½ percent and 5½ percent respectively over the three-month period from June through September. The intermeeting range for the federal funds rate was raised by 1 percentage point to a range of 6 to 10 percent.

Various bank holding company, bank service corporation, and bank merger orders; and pending cases.

These tables reflect data available as of September 28, 1988.

Pension Plans: Funding, Assets, and Regulatory Environment

Mark J. Warshawsky, of the Board's Division of Research and Statistics, prepared this article. Paula DeCubellis and Scott M. Hochgesang provided research assistance. Notes appear at the end of the article.

Pension plans play an increasingly important role in the U.S. economy. They are a major factor in the financial well-being of households, a significant expense for their sponsors, and among the most active participants in the market for debt and equity securities. The government is involved heavily in pensions through the regulation of private plans, the insurance of private retirement benefits, and the direct provision of pension plans for government workers.

Large increases in the market value of assets, combined with healthy investment income, have improved the financial condition of pension plans in the 1980s. Assets now exceed liabilities in most plans sponsored by private employers. Corporate contributions to pension plans fell dramatically in the 1980s, partly because of regulations that limit contributions to fully funded plans; this reduction helped lower labor expenses and improve corporate profits. In some manufacturing industries, however, pension plans remain severely underfunded, and a few large terminations have bloated the deficit of the Pension Benefit Guaranty Corporation, the federal agency that insures retirement benefits. Contributions by local, state, and federal governments for employee retirement funds remain steady because assets in these funds still fall below liabilities.

The very rapid growth in pension assets, combined with strategies that include investment in equity securities, has led to an increase in the percentage of all equity securities outstanding held by pension funds. The larger presence of pension funds and other institutional investors, in turn, has changed the character of the equities market. In particular, block trading off the floors of the stock exchanges and the development and growth of stock-index futures and options have been supported by fund managers seeking cheaper ways to enact various investment strategies. The pace of stock trading also has picked up partly as a result of increased holdings by pension funds.

This article describes the basic characteristics of pension plans, with particular emphasis on the regulatory environment. The trend in employer contributions in the 1980s is examined and linked to the financial condition of pension plans. The article then reviews the investment strategies of pension funds and concludes with a brief discussion of the federal insurance program for private pension plans.

Basic Characteristics of Pension Plans

Employers have several motivations to establish pension plans and have used a variety of plan types to meet their needs. Whatever their type, plans sponsored by employers in the private sector must adhere to certain federal regulations.

Advantages to Employers and to Workers

Employer-sponsored pension plans offer several advantages to employers and their workers. For example, they offer an advantage to an employer concerned about the welfare of its work force: by making regular contributions to a retirement fund on behalf of, or together with, workers, the employer can provide its workers with at least a minimum level of retirement income, even for those workers who fail to make any financial arrangements for their retirement years. A further advantage to employers is that, by careful design of the formula whereby benefits are accrued, the sponsor can discourage expensive turnover of its work force, especially at ages when employees are most productive.

An advantage to workers is that, because of economies of scale in the administration and investment of a sizable accumulation of funds, group pension plans can offer, for a given level of risk, net rates of return higher than those of most savings instruments available to individuals. In addition, for plans that require participants to receive retirement benefits in the form of a life annuity, the self-selection problem that plagues the individual annuity market is substantially reduced. The self-selection problem is that individuals who have a greater-than-average life expectancy are more likely to purchase annuities, thereby leading life insurance companies to charge a high premium for individual annuities.[1] In a group pension annuity, on the other hand, all workers, regardless of their life expectancy, must participate equally in the plan. Hence, a pension plan gives a worker with average life expectancy more retirement income per dollar invested than does an individual life annuity from an insurance company.

These economic advantages are further enhanced for both employers and workers by tax advantages enacted to encourage employers to establish pension plans for workers. Contributions by employers to a fund for a qualified pension plan are tax-deductible expenses for employers, like wage and salary compensation, and they are not counted as taxable income to workers until the workers receive their retirement benefits. Investment earnings on assets accumulate within the pension fund free from corporate and personal taxes. Under a progressive tax system, deferred income plans such as pensions are particularly advantageous to highly compensated workers.[2] By smoothing income flows over the life cycle, a deferred income plan lowers the marginal tax rate that will apply to current and future deferred income.

Types of Plans

Pension plans fall into several categories according to their payment system and sponsorship. In terms of payment system, pensions are either defined-benefit or defined-contribution. Under defined-benefit plans, retirement benefits are determined by formula and are generally payable as a life annuity. Contributions are adjusted in light of investment experience, demographics, and other changing data to fund adequately the fixed liability of the plan. Contributions to defined-benefit plans are generally made only by the employer. The typical private defined-benefit plan credits the employee with 1½ percent of a compensation base for each year of service. In a "final-average" plan, the compensation base is the average salary earned during a specified period (generally, five years) immediately preceding retirement. For most plans, the earliest age at which a worker can retire with full benefits is 62. Hence, in such a plan, a 62 year-old worker retiring with 30 years of service will typically receive an annual retirement payment equal to 45 percent of the average of the worker's final five years of salary. In some large corporate plans and in most state and local government plans, retirees also receive partial cost-of-living adjustments (COLAs) to their benefits, while in federal government plans, retirees receive complete COLAs.

In defined-contribution plans, the contribution rate is predetermined, and retirement benefits, generally payable as a lump sum, depend on investment performance. The largest defined-contribution plan covers college and university teachers; the plan is the main source of retirement income from a pension for these workers. The more typical defined-contribution plan, however, is a supplemental thrift plan that provides a 50 percent employer match of employee contributions of up to 6 percent of current salary. Other types of defined-contribution plans include profit-sharing and employee stock ownership plans.

Older workers generally prefer a defined-benefit plan because the level of retirement benefits is fixed. In contrast, the worker bears the risk of poor investment performance in a defined-contribution plan. Defined-benefit plans, however, can be costly for their sponsors because the plan sponsor bears the risk of poor investment performance, and the level of retirement benefits is usually more generous than in defined-contribution plans. There are many more defined-

1. Number of private pension plans, number of participants, and assets, by type of plan, 1985[1]

Plan	All plans			Single-employer plans			Multiemployer plans		
	Number	Participants (in thousands)	Assets (millions of dollars)	Number	Participants (in thousands)	Assets (millions of dollars)	Number	Participants (in thousands)	Assets (millions of dollars)
All	805,405	74,665	1,185,380	802,339	65,414	1,070,325	3,066	9,251	115,055
Defined-benefit	224,474	39,692	786,489	222,213	31,436	677,348	2,261	8,256	109,141
Defined-contribution	580,931	34,973	398,891	580,126	33,978	392,976	805	995	5,915

1. The number of participants is greater than the number of workers covered because participants are counted according to the number of plans to which they belong. Participants also include retirees and beneficiaries.

SOURCE. Arnold J. Hoffman, "Appendix: Historical Pension Statistics," in John A. Turner and Daniel J. Beller, eds., *Trends in Pensions, 1988* (U.S. Government Printing Office, forthcoming), table A1.

contribution than defined-benefit plans, but defined-benefit plans cover more participants and have more assets (table 1).

In terms of sponsorship, plans are either private or governmental. Private plans are either single-employer or multiemployer plans. Most workers in private plans are covered by single-employer plans, in which workers who quit their jobs will not continue to accrue benefits with their former employers. If these workers are not yet vested, they will lose any accrued benefits. In a multiemployer plan, however, plan participants who quit and start working for another employer who is a member of the group sponsoring the pension plan will continue to accrue benefits. Multiemployer plans, most of which are defined-benefit plans, are found mainly in unionized industries, such as mining, where it is common for workers to switch jobs among employers within the industry.

About one-fifth of all pension participants are covered by plans sponsored by local, state, or federal governments and agencies for their employees (table 2). Although some of the characteristics of private and government plans are similar, their regulatory frameworks differ significantly. All private plans (except those for railroad workers and employees of some tax-exempt organizations) are governed by the Employee Retirement Income Security Act of 1974 (ERISA), which regulates the funding contributions of defined-benefit plans, requires that plans meet certain fairness conditions in order to qualify for tax preferences, and requires the reporting of extensive information about funding levels and asset management. All government plans are excluded from ERISA; their funding contributions and reporting requirements are determined by the relevant legislative body of the plan sponsor. Some benefit provisions of state and local government plans, however, are subject to restrictions contained in the federal tax code. Moreover, many state and local government plans and all plans for federal civilian workers hired after 1983 have accepted ERISA-like requirements. However, other government plans, especially the plans for the military and for federal civilian workers hired before 1984, differ considerably from private plans in several important aspects. In these non-ERISA-like federal plans, a worker may retire with full benefits after 20 years of service (for military personnel) or after age 55 (for civilian workers).

2. Number of participants in pension plans, by type of sponsor, selected years, 1950–85[1]

Thousands

Year	Private	Railroad	Federal civilian[2]	State and local governments
1950	10,255	1,881	1,872	2,894
1955	16,395	1,876	2,333	3,927
1960	23,015	1,654	2,703	5,160
1965	28,100	1,661	3,114	6,780
1970	36,100	1,633	3,624	8,591
1975	44,511	1,564	4,171	11,230
1980	57,903	1,533	4,460	13,950
1985	74,665	1,310	4,887	15,235

1. See table 1, note 1. Includes retired workers.
2. Does not include military personnel. In 1985, 1,479,940 persons received retirement, disability, and survivor benefits based on military service; 2,192,268 persons on active duty in that year could qualify for benefits from military pension plans.

SOURCE. American Council of Life Insurance, *Pension Facts 1987* (ACLI, 1987), p. 4, and Richard A. Ippolito and Walter W. Kolodrubetz, eds., *The Handbook of Pension Statistics, 1985* (Chicago: Commerce Clearing House, 1986).

The Regulatory Environment for Private Plans

For a plan to qualify for preferential tax status, ERISA requires it to meet a minimum level of fairness in assigning retirement benefits among employees. ERISA enforces fairness by mandating minimum standards of participation, coverage, and vesting for qualified plans. All eligible full-time employees over the age of 21 who have more than one year of service with the employer must be allowed to participate in the plan. To prevent discrimination in favor of highly compensated employees, say, in the form of a retirement plan especially designed for management, ERISA requires that a broad cross-section of employees be eligible for coverage in any plan sponsored for a particular line of business by an employer. ERISA also states that, after a specific period, a participant's right to his or her accrued benefits is nonforfeitable, that is, vested. The law allows for complete vesting after five years of service (cliff vesting), or for an increasing percentage of vesting beginning three years after the date of plan entry and ending within seven years of that date (gradual vesting).

Although the federal tax code clearly encourages pension plans, it also has imposed limits on retirement benefits and on funding contributions to reduce the loss of tax revenues. Dollar and percentage limits constrain the amount of tax-deferred compensation that can be contributed to defined-contribution plans. For defined-benefit plans, sponsors can make tax-free contributions to the pension fund only if the full-funding limitation, defined in terms of the assets and liability of the plan, has not been reached. The dollar size of the annual retirement benefit that can be paid by a defined-benefit plan to a plan participant is limited. Dollar limits also apply to the compensation base from which retirement benefits can be computed. To ensure that tax-favored pensions are used for retirement and not for tax avoidance, the law requires that withdrawals before retirement, death, or disability be severely restricted and penalized. Loans to participants from a defined-contribution plan also are restricted. And, to discourage employers from using pensions as tax-favored corporate saving, the Tax Reform Act of 1986 imposed a penalty tax on assets in excess of plan liability that revert to a private plan sponsor when a defined-benefit plan is terminated.

Before passage of ERISA, private sponsors of defined-benefit pension plans were not required to set aside funds for the payment of benefits in advance of the date on which the benefits became payable. Sponsors used pay-as-you-go and other lax approaches to funding. Thus, in the absence of a segregated and adequate fund devoted to the full payment of accrued benefits and administered by a disinterested party, participants depended on their employer's future ability to honor its pension obligations. The enactment of ERISA in 1974 was a response to cases of financial malfeasance and bankruptcy-induced terminations of unfunded pension plans in which participants lost accrued pension benefits. ERISA mandated minimum funding requirements, established the Pension Benefit Guaranty Corporation (PBGC) to insure vested pension benefits, and required trustees of pension plans to manage assets solely in the interest of participants and beneficiaries. Premiums paid by plan sponsors finance the PBGC. The minimum funding requirements are intended to secure benefits, to protect the PBGC against abuse, and to instill a sense of fiscal responsibility and realism in private plan sponsors.

Contributions to Pension Funds

Contributions to pension funds are determined by a combination of plan provisions, legal requirements, and the discretion of the plan sponsor. For most defined-contribution plans, contributions are a percentage of salary, as stated in the plan provisions. For private defined-benefit plans, contributions must at least equal ERISA's minimum funding requirement and cannot be deducted from corporate taxes when contributions exceed the maximum funding limitation. Furthermore, financial accounting standards influence the funding behavior of corporate plans by exposing, in the annual financial statement, the size of pension assets relative to reported pension liabilities. Contributions to defined-benefit plans sponsored by governments are generally governed by formulas established by the legislative body of the sponsor, but at a minimum they must cover current benefits to retirees if the plan is not fully funded. Contributions also are influenced by pressures from employee unions and from investors in securities issued by the plan sponsor.

ERISA Funding Requirements for Private Defined-Benefit Plans

For private defined-benefit plans, ERISA requires, at a minimum, the contribution of an annual payment to the pension fund sufficient to cover the present value of benefits accruing in the current year. In addition, the plan sponsor is required to amortize over a period of years any supplemental liabilities arising from the liberalization of plan provisions or the retroactive granting of retirement benefits for past service. ERISA also imposes maximum limits on tax-deductible contributions by employers to defined-benefit plans. Tax-deductible contributions are not allowed if the value of assets held in the pension fund exceeds the plan's actuarial liability. Recently, these full-funding limitations have been severely tightened. The appendix presents more detail on ERISA funding rules.

Other Influences on Contributions

Although ERISA imposes minimum and maximum bounds on contributions, the private plan sponsor has some discretion in its funding decision. Moreover, through the choice of an actuarial cost method and actuarial assumptions, the plan sponsor can influence the required level of contributions. The sponsor will be more likely to fund the pension plan generously to the extent that it is subject to the discipline of those concerned about the competing claims that will arise in a bankruptcy: employee unions and investors in securities issued by the sponsor.

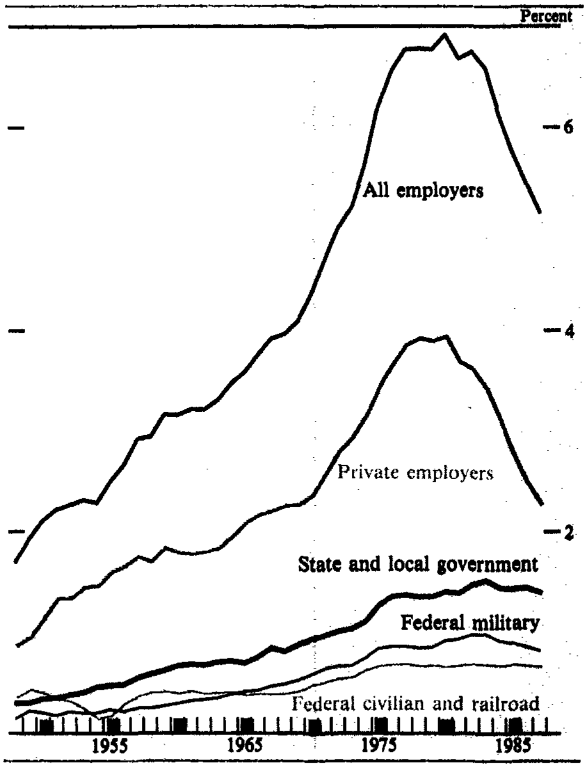
In this context, accurate public reporting of plan assets and liabilities is important to employees and investors concerned about the extent of the sponsor's outstanding liabilities for its pension plans. Since 1975, ERISA has required sponsors to publicly report, on the Form 5500 filed with the Internal Revenue Service, extensive information about their pension plans. More recently, standards for reporting on pensions in financial statements have been tightened by the Financial Accounting Standards Board (FASB). In 1980, FASB issued Statement 36, requiring sponsors to report pension assets and liabilities in a footnote to their annual statement. Liabilities were to be computed as the present value of accrued benefits, calculated without consideration for projected increases in retirement benefits owing to salary increases. Statement 87, issued in 1985, required more information about pension liabilities. In addition to being computed as the present value of accrued benefits, liabilities were to be computed as the present value of projected benefits, calculated *with* consideration of projected increases in retirement benefits owing to salary increases. Statement 87 also imposed a standard market discount rate on such calculations.

Although financial accounting standards do not govern the funding of pension plans, they do influence funding decisions. By providing a focal point for employees, investors, and plan sponsors, accounting standards strongly suggest the appropriate funding policy of pension plans—that contributions be sufficient to maintain assets equal to or in excess of liabilities as calculated under these accounting standards.

Trends in Contributions to Pension Funds by Private and Government Employers

Employer contributions to pension funds (excluding Social Security) as a percentage of all workers' wages and salaries have declined sharply since 1980, following an uptrend for all types of pension plan sponsors that had lasted since 1948 (chart 1). The long uptrend was generated by the increasing number of plans and participants and the increasing generosity of retirement benefits over the period. For sponsors of private pension plans, a large step-up in contributions occurred in the years immediately following the 1974 passage of ERISA, which substantially strengthened minimum funding requirements. Since 1980, however, contributions to government plans have shown only slight growth, while private sponsors have sharply curtailed their contributions.

1. Employer contributions to pension plans as a percentage of wages and salaries of all workers, by type of employer



Source. Bureau of Economic Analysis, national income and product accounts.

Plans sponsored by the federal government for federal employees are only partially advance-funded. The contribution rate for such plans will naturally rise as the work force matures. Plans sponsored by state and local governments generally are not required to be advance-funded. Nevertheless, many state and local governments have partially advance-funded their plans, reportedly to avoid pressures from investors in municipal securities concerned about large unfunded liabilities and to forestall the sometimes threatened imposition by the federal government of ERISA requirements on their plans. Hence, contributions by state and local governments have remained high as these sponsors try to improve the funding of their plans and, at the same time, cover the retirement benefits of an expanding work force.

The decline in contributions by private sector employers reflects many factors. Some sponsors of defined-benefit plans terminated their overfunded plans to capture assets in excess of their legal liability to workers. These voluntary terminations peaked in 1985, when almost $7 billion in excess assets reverted to plan sponsors (table 3). Because many terminated defined-benefit plans have been replaced with defined-contribution plans, which generally require lower employer contributions, aggregate measures of employer contributions were damped. Terminations have declined sharply since 1986, perhaps owing to the excise tax on reversions established by the Tax Reform Act of 1986.

Many other sponsors altered their actuarial cost methods and assumptions so as to reduce required contributions. In particular, some sponsors raised the valuation interest rate, thereby reducing the present value of future benefits and lowering required contributions.[3] Sponsors also have increasingly chosen actuarial cost methods that produce lower required contributions. Finally, and perhaps most important, many sponsors halted completely their contributions because capital gains caused asset values to exceed plan liabilities, triggering the full-funding limitations.[4]

A reduced rate of contributions into private pension funds has had a positive effect on corporate earnings. After ERISA was adopted in 1974, pension expenses represented nearly 30 percent of the after-tax earnings of corporate plan sponsors (chart 2); by 1987, however, the proportion had dropped to 10 percent. For many companies, the decline in pension expenses was a significant factor in improved earnings in recent years.

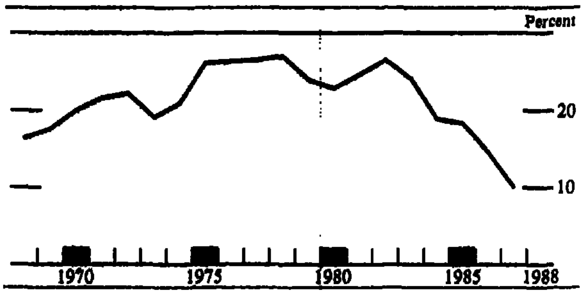
3. Terminations of private pension plans in which excess assets reverted to plan sponsor, 1980–87[1]

Millions of dollars unless otherwise noted

Year	Number of plans terminated	Assets	Accrued liability	Reversion
1980	9	58.5	40.0	18.5
1981	35	341.5	183.3	158.2
1982	82	1,136.8	732.9	403.9
1983	166	3,431.7	1,823.4	1,608.3
1984	331	7,426.8	3,862.0	3,564.8
1985	580	15,060.0	8,393.4	6,666.6
1986	263	8,918.3	4,630.7	4,287.6
1987	169	3,706.3	2,279.6	1,426.7

1. For reversions in excess of $1 million.
Source. Pension Benefit Guaranty Corporation.

2. Pension expenses of private plan sponsors as a percentage of after-tax corporate earnings



Source. Standard and Poor's Compustat Data Service, Inc.

Funding Status of Defined-Benefit Plans

A theme of the previous discussion is that the rate of employer contributions to defined-benefit pension plans is influenced strongly by the funding status of those plans. For government plans that are partially advance-funded or are funded on a pay-as-you-go basis, employer contributions will be influenced primarily by the necessity to pay benefits to current retirees and other beneficiaries. For private plans that are slightly underfunded or fully funded, contributions generally will equal the present value of accruing benefits. For private plans that are overfunded, however, ERISA restrictions and accounting standards suggest a cessation of funding contributions. Moreover, in a shift from one policy regime to another, namely from a pay-as-you-go funding approach to a fully funded approach, contributions will be at temporarily high levels until a fully funded status is reached and then will fall off. Thus, some of the particular reasons for changes in flows of contributions to defined-benefit plans can be derived from the funding status of the plans.

Funding Status of Private Plans

An assessment of the overall status of pension funding can be made from reported values of pension assets and liabilities available from annual company statements since 1980. Measures of the funding status of plans include the funding ratio—the market value of pension assets as a percentage of plan liabilities—and the percentage of plan sponsors who have overfunded plans. In addition, the claim that pension plans have on sponsors' resources can be gauged by calculating the ratio of plan liabilities to the net worth of firms (including pension assets).

Calculations of funding status are based on three different concepts of plan liability. The first concept, accrued liability or the present value of accrued benefits, has been reported in annual statements since 1980 in accordance with the guidelines of FASB Statement 36. The second concept, projected liability or the present value of projected benefits, including an adjustment for an increasing compensation base, has been reported in most annual statements since 1986, following the enactment of new guidelines in FASB Statement 87. The third concept is the present value of projected benefits, including consideration for partial cost-of-living increases to retirees' benefits. Accounting for partial COLAs is not found in current financial accounting standards, but may be considered important to an estimate of the broadest notion of plan sponsors' obligations to workers. Where the relevant liability concept is not actually used in the annual statement, estimates reported here are based on reported figures and a model of the typical defined-benefit plan.[5]

By any measure, the funding status of private defined-benefit plans has improved in the 1980s (table 4); all measures of the funding ratio show an improvement of about 30 percent. The measure using accrued liability indicates that private pension plans, in the aggregate, had already reached fully funded status in 1981, while the gauge using the broadest notion of liability indicates that plans were fully funded by 1987. The percentage of sponsors with fully funded plans also increased uniformly, although many underfunded plans remain. The claim of defined-benefit pension plans on the book value of firms' net worth increased slightly over the period.

Accounting rules and ERISA allow plan sponsors to report values of pension assets and liabilities for a date differing from that of their annual statement. For example, for most plan sponsors, 1987 information about pensions is given with a January 1 reporting date, although 1987 information for some larger plans is reported as of December 31. A very rough approximation of the

4. Funding status of private defined-benefit plans, 1981–87

Percent

Measure	1981	1982	1983	1984	1985	1986	1987
Funding ratio[1]							
Accrued liability	104	110	119	122	126	135	138
Projected liability	85	89	93	93	99	106	116
Projected liability with 50 percent COLA	72	74	79	79	86	94	103
Percent of sponsors with overfunded plans							
Accrued liability	60	64	74	79	78	79	79
Projected liability	54	57	60	61	57	56	60
Projected liability with 50 percent COLA	33	35	40	41	41	43	45
Ratio of plan liability to net worth of firm[2]							
Accrued liability	23	22	23	23	23	25	25
Projected liability	27	28	29	30	30	32	29
Projected liability with 50 percent COLA	33	33	34	35	34	35	33

1. Ratio of plan's assets to its liabilities. Derived from the sample of approximately 2,000 plan sponsors reported by Standard and Poor's Compustat Data Services, Inc.

2. Net worth includes pension assets. Firms with negative net worth are not included.

SOURCE. Mark J. Warshawsky, "The Adequacy of Funding of Private Defined Benefit Pension Plans," in Turner and Beller, eds., *Trends in Pensions, 1988.*

"average" reporting date would be around the beginning of the second quarter. For example, in table 4, the 1987 funding ratio using the projected liability, 116 percent, may be considered valid as of April or May.

Because of disparate reporting dates, it is difficult to know, in the aggregate, what effect the stock market crash of October 1987 had on the funding status of private pension plans. It is possible, however, to examine the 1986 and 1987 data on plans whose sponsors report as of December 31; in such cases, the funding ratio using projected liability actually increased from 101 percent to 115 percent. This result may be due, in part, to the increase in market interest rates over 1987, which reduced plan liabilities. Also, stock prices of year-end 1987 were only slightly lower than a year earlier.

Funding Status of Government Plans

Information about liabilities of state and local government pension plans is limited. Almost no information is regularly collected about local plans. Data on state plans, which can be gathered from disparate sources, shows that their funding status has improved. In 1987, their funding ratio using projected liability was approximately 73 percent, and 16 states had overfunded plans. The funding status of state plans, however, is clearly not as healthy as that of private plans.

The federal government sponsors separate defined-benefit pension plans for civilian and military personnel. The military plan was funded on a pay-as-you-go basis before October 1, 1984; thereafter military plans became partially advance-funded. The civilian plan is partially advance-funded; all of its assets, however, must be invested in non-marketable U.S. government securities. (The new plan for civilian workers hired after 1983 will allow investments in private securities.) The funding status of the plans for civilian and military personnel is very poor but has improved slightly; only 14.5 percent of projected liabilities were covered by assets in 1981 and 20.7 percent in 1985. The ultimate security of plans sponsored by the federal government depends on the government's ability to levy taxes to pay the pension benefits of retired government workers and military personnel, as well as on the assets held in the pension fund.

ASSETS OF PENSION PLANS

As noted, the funding status of private pension plans received a boost from larger contributions in the wake of the 1974 enactment of ERISA. Although contributions declined in the 1980s, the funding status continued to improve because of healthy investment income and a substantial increase in the market value of assets. The net flows of assets (including capital gains) into private defined-benefit and defined-contribution plans have been positive (table 5). Contributions (by employers and employees) less benefits paid were actually negative for defined-benefit plans for most of the period, while already substantial interest and dividend income trended upward. Capital gains on stocks and long-term bonds held in portfolio, while volatile, were very large in total. These gains raised the funding ratio of defined-benefit plans, caused a decline in em-

5. Net flows into private pension plans, by plan type, 1983–87
Millions of dollars

Plan type and year	Interest and dividends	Funding contributions less benefits paid	Capital gains	Total
Defined-benefit				
Single-employer				
1983	34,861	−10,929	34,728	58,660
1984	39,050	−25,200	−2,615	11,235
1985	39,070	−32,182	89,906	96,795
1986	39,260	−33,367	63,227	69,120
1987	41,831	−35,752	4,890	10,969
Multiemployer				
1983	6,240	4,738	2,405	13,383
1984	7,745	1,119	72	8,936
1985	8,340	1,570	12,129	22,039
1986	9,429	−505	10,497	19,421
1987	10,305	−601	−5,238	4,466
Defined-contribution				
1983	16,747	17,158	15,333	49,238
1984	20,801	−1,186	−135	19,480
1985	21,088	75,818	48,355	145,261
1986	21,799	−12,613	34,818	44,004
1987	23,854	3,471	3,288	30,613

SOURCE. Board of Governors of the Federal Reserve System, Division of Research and Statistics, Flow of Funds Section.

ployer contributions, and increased the value of assets in defined-contribution plans.

The effect of the increased market value of pension assets of the 1980s and the increased rate of employer contributions of the late 1970s is evident in the framework of the flow of funds accounts. Pension assets grew to 15 percent of household net worth by 1987 (table 6). The increased prominence of pension funds in household savings, and, in particular, their role in financial markets, have drawn attention to the investment strategies of pension funds.

Investment Strategies

ERISA generally does not specify types of investments allowed or prohibited to private pension funds. Instead, ERISA imposes broad duties on the fiduciaries responsible for investing plan assets. Fiduciaries must invest with the care, skill, and diligence that a "prudent" investor would exercise, must diversify investments of the defined-benefit plan in order to minimize the risk of large losses, and must avoid all conflicts of interest. The only specific prohibition imposed by ERISA is that no more than 10 percent of a defined-benefit plan's assets can be invested in securities issued by the plan's sponsor.

Single-employer plans and state and local government plans seem to use a traditional "40–60" investment strategy (table 7). In the strategy, roughly 40 percent of the portfolio is invested in equity securities, and the remaining 60 percent is invested in various types of debt instruments. The 40–60 strategy is consistent with ERISA's directive to diversify adequately. The strategy also provides pension plans with the opportunity to earn the higher real returns that equities have provided historically, while capturing some of the nominal stability provided by bonds held to

6. Financial assets of private and government pension funds, selected years, 1950–87[1]
Billions of dollars at year-end unless otherwise noted

Year	Private	Federal government: Railroad	Federal government: Civilian employees	State and local government	Total	MEMO: Household net worth	MEMO: Pension assets as a percent of household net worth
1950	12.7	2.6	4.2	4.9	24.3	939.0	2.6
1955	29.7	3.6	6.5	10.8	50.5	1,345.3	3.8
1960	57.0	3.7	10.4	19.7	90.8	1,743.8	5.2
1965	101.7	3.8	15.9	34.1	155.5	2,320.4	6.7
1970	153.0	4.5	23.0	60.3	240.8	3,160.3	7.6
1975	297.4	3.4	38.5	104.8	444.1	4,726.0	9.4
1980	641.6	2.5	73.9	198.1	916.1	8,934.2	10.3
1985	1,237.8	4.2	114.6	404.7	1,791.3	12,915.1	13.9
1987	1,537.2	6.8	182.7	508.5	2,235.3	14,765.3	15.1

1. Excludes value of real estate investments. The data here for private pension plans do not necessarily match those reported by the Department of Labor.

SOURCE. Board of Governors, Flow of Funds Accounts.

7. Portfolio composition of pension plans, first quarter 1988[1]

Percent of total assets of specified plans unless otherwise noted

Asset	Private			State and local government
	Defined-benefit		Defined-contribution	
	Single-employer	Multiemployer		
Demand deposits	.7	.4	.8	.4
Time deposits	5.2	2.6	7.6	3.5
Open market paper	5.9	1.5	6.7	...
U.S. government bonds	10.2	22.6	7.1	32.0
Corporate bonds	15.5	18.2	6.8	25.6
Corporate equity	36.1	22.9	38.2	35.4
Unallocated insurance accounts	13.0	16.2	11.5	...
Other assets	13.3	15.6	21.3	3.1
Total	100	100	100	100
MEMO: Financial assets (billions of dollars)	889.5	172.8	547.8	531.0

1. Details may not add to totals because of rounding.
SOURCE. Board of Governors, Flow of Funds Section.

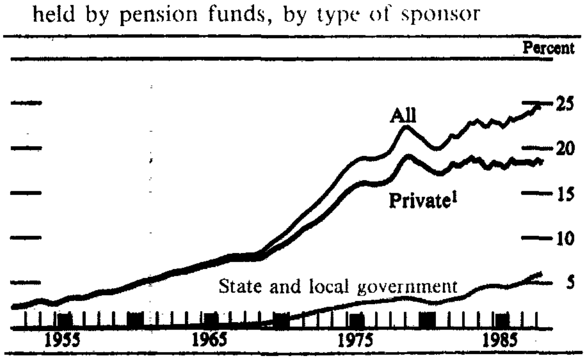
maturity. In comparison, multiemployer plans follow a more conservative investment strategy, investing a lower proportion of their assets in equities and a higher proportion in U.S. government bonds.

Private plans invest a significant proportion of their assets through arrangements with life insurance companies. These arrangements are used commonly by small plans, which are usually unable to achieve economies of scale in portfolio management or the reduction of aggregate risk through the pooling of independent mortality risks. In these cases, a life insurance company will issue life annuities to retired workers and will invest the plan's funds in an account that, in turn, is invested in debt or equity securities. Roughly one-third of the assets of private pension plans are managed in this manner; the "unallocated insurance accounts" in table 7 give some indication of the amount of assets invested in insurance accounts.

Implications for the Equities Market

The explosion in pension assets has helped transform the character of the U.S. equities market, which formerly was dominated by individual investors. Pension funds owned nearly a quarter of all corporate equities in the first quarter of 1988, up from only 2 percent in 1952 (chart 3). The increase in the turnover rate of stocks, that is, a decline in the average amount of time stock is held, seems to be closely linked to the greater holding of equities by pension funds and other institutional investors. Because of their market power, larger size, and the deregulation of brokerage commissions in 1975, pension funds pay much lower commissions on stock trades than do individual investors. As a result, pension funds are more active traders than individuals. Furthermore, from May 1975, when fixed minimum commissions on equity trades were eliminated, to 1983, commission charges to pension funds for equity trades declined by two-thirds; simultaneously, equity portfolio turnover for pension plans roughly tripled.[6] The turnover rate for all equities has increased partly because of the growing importance of pension funds.

3. Share of corporate equities outstanding held by pension funds, by type of sponsor



SOURCE. Board of Governors, flow of funds accounts.
1. Includes insurance accounts.

The existence of large pools of equity securities has changed the structure, as well as the pace, of trading. Because the equity portfolios of pension funds are so large, sales or purchases of an individual security by even a single fund can cause market changes in share price. Instead of relying on the limited resources of specialists on the stock exchanges to conduct trades at market prices, many institutional investors instead arrange for trades of blocks of stock off the floor of the exchange ("upstairs trades"). The role of specialists in matching trades has as a consequence diminished.

Other innovations in the equity market are also linked closely with increased institutional holdings of equities. Stock-index futures began trading in 1982, and options on stock indexes and on stock-index futures were initiated in 1983. These new financial instruments permit trading of derivative securities that mimic large diversified portfolios of securities. Many pension funds have such large diversified equity portfolios—often containing tens or hundreds of individual equity issues—because ERISA strongly encourages it. When a pension fund wants to adjust quickly the equity–debt mix of its entire portfolio, buying and selling index futures and options, whose returns mirror the aggregate returns of the diversified portfolio, is often cheaper than is selling the tens or hundreds of individual equity issues themselves.[7]

A particular strategy for trading derivative instruments designed to protect portfolios of securities held by pension funds against declines in prices is called portfolio insurance or dynamic hedging.[8] The strategy uses futures contracts to alter the relative sizes of the portfolio's positions in securities and cash as market circumstances change. As stock prices fall, stock-index futures are sold short against an underlying portfolio of stocks. The increase in value of the futures position as prices fall compensates for the decline in the value of the stock portfolio. If prices rise, the short futures position is reduced. Portfolio insurance appealed to managers of pension funds as a way to preserve the comfortable funding status of plans achieved during the 1980s, even at the cost of losses on the short futures positions that result from increases in market prices. However, questions about the cost, effectiveness, and adverse market implications of the strategy during events of the week of October 19, 1987, when liquidity in the stock market tended to vanish, reportedly has reduced the appeal of portfolio insurance to fund managers.[9]

The Financial Condition of the PBGC

Under ERISA, the Pension Benefit Guaranty Corporation was set up to insure payment of retirement benefits by private plan sponsors up to a maximum indexed amount. The sponsor's payment of an insurance premium to the PBGC, however, does not relieve the sponsor of responsibility for unfunded pension liabilities in a bankruptcy proceeding or forced plan termination. If unfunded liabilities exist, the PBGC can attach a lien (with the status of a federal tax lien) up to the lesser of the unfunded liabilities or 30 percent of the firm's net worth. The firm's legal liability is 100 percent of unfunded pension liabilities up to the entire net worth of the firm, but in conditions of financial distress, the PBGC is unlikely to recover much beyond its lien of 30 percent of net worth.

Although the funding status of defined-benefit plans sponsored by private employees has improved greatly during the 1980s, the improvement has not been uniform. Pension plans in declining industries remain underfunded and have exposed the PBGC to significant risks. Particular concern has been expressed about the financial health of pension plans sponsored by companies in the steel industry. The funding status of steel plans, although improving, has indeed been worse than plans in other industries (table 8). Moreover, pension plans burden the industry heavily; 74 percent of the industry's net worth would be required to fund pension liabilities. In the 1980s, several large underfunded plans sponsored by steel and other industrial companies were, in fact, terminated, substantially inflating the deficit of the PBGC (table 9).

Several legislative changes have been made in response to the deteriorating financial condition of the PBGC and to instances of corporate abuse of the pension insurance program. In 1987, the Congress tightened the funding requirements of

8. Funding status of pension plans in the steel industry, 1981–87[1]

Percent

Measure	1981	1982	1983	1984	1985	1986	1987
Funding ratio[2]	56	55	60	61	67	78	80
Percent of sponsors with overfunded plans	14	26	26	25	29	35	46
Ratio of plan liability to net worth of firm[3]	71	84	90	94	93	81	74

1. Does not include plans of USX; does not include plans of LTV Steel after its 1985 bankruptcy. Ratios are calculated using projected liability.
2. See table 4, note 1.
3. See table 4, note 2.
SOURCE. Warshawsky, "Adequacy of Funding."

ERISA by mandating a faster amortization of supplemental liabilities arising from the granting of credit for retirement benefits due to past service. In addition, beginning this year, the flat-rate PBGC premium structure was changed. Instead of paying a flat $8.50 per participant, sponsors will now pay a premium based on a combination of rates: a flat $16 per participant, plus a risk-related premium equal to 0.6 percent of the plan's unfunded vested benefit obligation, up to a maximum of $50 per participant. Other legislative changes last year included improving the PBGC's status in bankruptcy proceedings. It was anticipated by the PBGC in 1987 that if there were no catastrophic terminations and annual claims declined to those of the PBGC's earlier years, these changes should cause the financial condition of the PBGC to improve over the near term.

9. Balance sheet of the Pension Benefit Guaranty Corporation[1]

Millions of dollars

Item	1983	1984	1985	1986[2]	1987[3]
Assets	1,137	1,124	1,233	1,839	2,277
Liabilities	1,614	1,538	2,494	5,620	3,757
Accumulated deficit	−477	−414	−1,261	−3,781	−1,480

1. Fiscal year ends September 30.
2. Includes pension plans of LTV Steel.
3. Does not include pension plans of LTV Steel, whose liabilities are estimated at $2 billion.
SOURCE. Pension Benefit Guaranty Corporation, *1987 Annual Report*.

CONCLUSIONS

Pension plans are now significant factors in the financial well-being of households, the profitability of corporate sponsors, and the activity in securities markets. Although pension plans will continue to be important features on the economic landscape, recent trends possibly imply future changes in their relative position. The favorable funding status of private defined-benefit plans and stricter limitations on funding contributions imply that contributions by employers to private pension funds will remain low. As a consequence, the size of private pension funds likely will not continue to grow at the rapid pace of the 1970s and 1980s. On the other hand, the assets of plans sponsored by governments for their employees likely will continue to grow at a rapid pace, as government sponsors try to improve the funding status of their plans. Pension plans will continue to be active investors, and further developments in the securities markets likely will reflect their growing influence. Barring any major failures, the increase in premiums, the tighter funding requirements for underfunded private plans, and improved economic conditions in the steel industry should lead to an improvement in the financial condition of the PBGC.

APPENDIX: FUNDING REQUIREMENTS FOR PRIVATE DEFINED-BENEFIT PLANS

ERISA requires the contribution of the defined-benefit plan's annual "normal cost." The normal costs are the annual payments necessary to amortize the present value of future retirement benefits expected to be paid to current workers, retired beneficiaries, and workers who have quit after vesting in the plan. As a theoretical matter, the normal costs may follow any pattern, provided that the present value of normal costs equals the present value of future retirement benefits. As a regulatory matter, however, plan sponsors must calculate costs with one of several alternative actuarial methods, which, in turn, limit the choice of allowable patterns of normal-cost payments. One widely used method, "entry-age normal cost," develops a normal cost that is constant, either as a dollar amount or as a share of salary, throughout the years of credited service of current workers. Another common method, "projected unit credit," develops a normal cost that equals the present value of projected benefits accruing in the current year. The projected-unit-credit method is a much less conservative approach than entry-age normal, which at first overfunds so as to keep contributions level over the work life of current employees. Sponsors have increasingly chosen the projected-unit-credit actuarial cost method (table A.1).

In order to calculate the normal-cost payment, an actuary must first compute the present value of future retirement benefits, which requires the combination of current and forecasted factors. Current factors include the benefit provisions of the plan and the characteristics of current workers and retirees, such as age, sex, length of service, and current salary. The factors that must be forecast include the life expectancy of current workers and retirees, the rate at which salaries will increase over the employees' work lives, the rate of turnover, and the interest rate used in present-value calculations.

ERISA requires the actuary to use "reasonable" forecasts and assumptions as well as current plan provisions in calculating the normal-cost payment, but conditions surrounding a pension plan change. The alteration of provisions concerning plan benefits, changes in actuarial assumptions, and deviations of investment or demographic experience from assumptions will generate differences between past and current calculations of the liability of the plan sponsor. These differences, which can be positive or negative, are termed "supplemental liabilities." ERISA requires that supplemental liabilities arising from investment experience that differs from assumptions be amortized over 5 years; supplemental liabilities arising from changes in actuarial assumptions, such as a change in the assumed interest rate, must be amortized over 10 years. Liabilities due to changes in plan provisions have very complicated amortization schedules.

A.1. Distribution of private defined-benefit pension plans, by actuarial method of computing normal cost, 1978–84[1]

Percent

Year	Entry-age normal	Projected unit credit	Other
1978	80.4	12.0	7.6
1979	79.6	12.4	8.0
1980	78.2	12.9	8.9
1981	78.1	14.0	7.9
1982	72.8	17.5	9.7
1983	68.7	20.6	10.7
1984	64.9	22.7	12.4

1. Includes multiemployer plans; excludes plans with fewer than 100 participants.

SOURCE. Form 5500 reports filed with the Internal Revenue Service.

To reduce the loss of tax revenues to the federal government, ERISA places limits on tax-deductible employer contributions to defined-benefit plans. The full-funding limitation prevents employer contributions if the value of assets held in the pension fund exceeds the plan liability. In applying the limitation, assets now are determined by the lesser of current market value or the market value smoothed by five-year averaging. Before 1988, the plan liability was defined for purposes of determining the full funding limitation as the "actuarial" liability, that is, the present value of future benefits less future normal costs. The actuarial liability is dependent on the choice of an actuarial cost method. In order to restrict the discretion of plan sponsors to influence contribution flows through the choice of actuarial cost method (and hence the actuarial liability), the definition of plan liability was amended in 1987. The plan liability is now defined to be the lesser of the actuarial liability or 150 percent of the present value of accrued benefits, calculated on the assumption that the plan is terminated at the valuation date.

In the case of a plan whose assets are less than the plan liability, changes in asset value have only a small effect on allowed contributions because of the gradual amortization of the supplemental liability arising from unexpected investment experience. For a plan whose assets are equal to the liability, however, an increase in asset value, if larger than the annual normal cost, prevents a plan sponsor from making any tax-deductible cash contributions for the year. Tax-deductible contributions are also not allowed for a plan whose assets substantially exceed the liability. Hence, whether any contribution will be made to plans that are fully funded or overfunded is very sensitive to fluctuations in the market value of assets.[10]

The interest rate used in the calculation of the present value of future benefits, normal costs, and plan liabilities is critical. Because retirement benefits of current workers will not be completely paid at the end of 20, 40, or even 60 years, present value calculations for pensions are very sensitive to changes in the valuation interest rate. Many thought that plan sponsors, through the exertion of subtle pressure on valuation actuaries, had too much influence in the choice of the interest rate used to calculate liabilities and normal costs (and hence, the required level of contributions). The law was changed in 1987 to restrict the allowable valuation interest rate to within 10 percent of the yield on 30-year Treasury bonds averaged over the four-year period preceding the valuation date.

NOTES

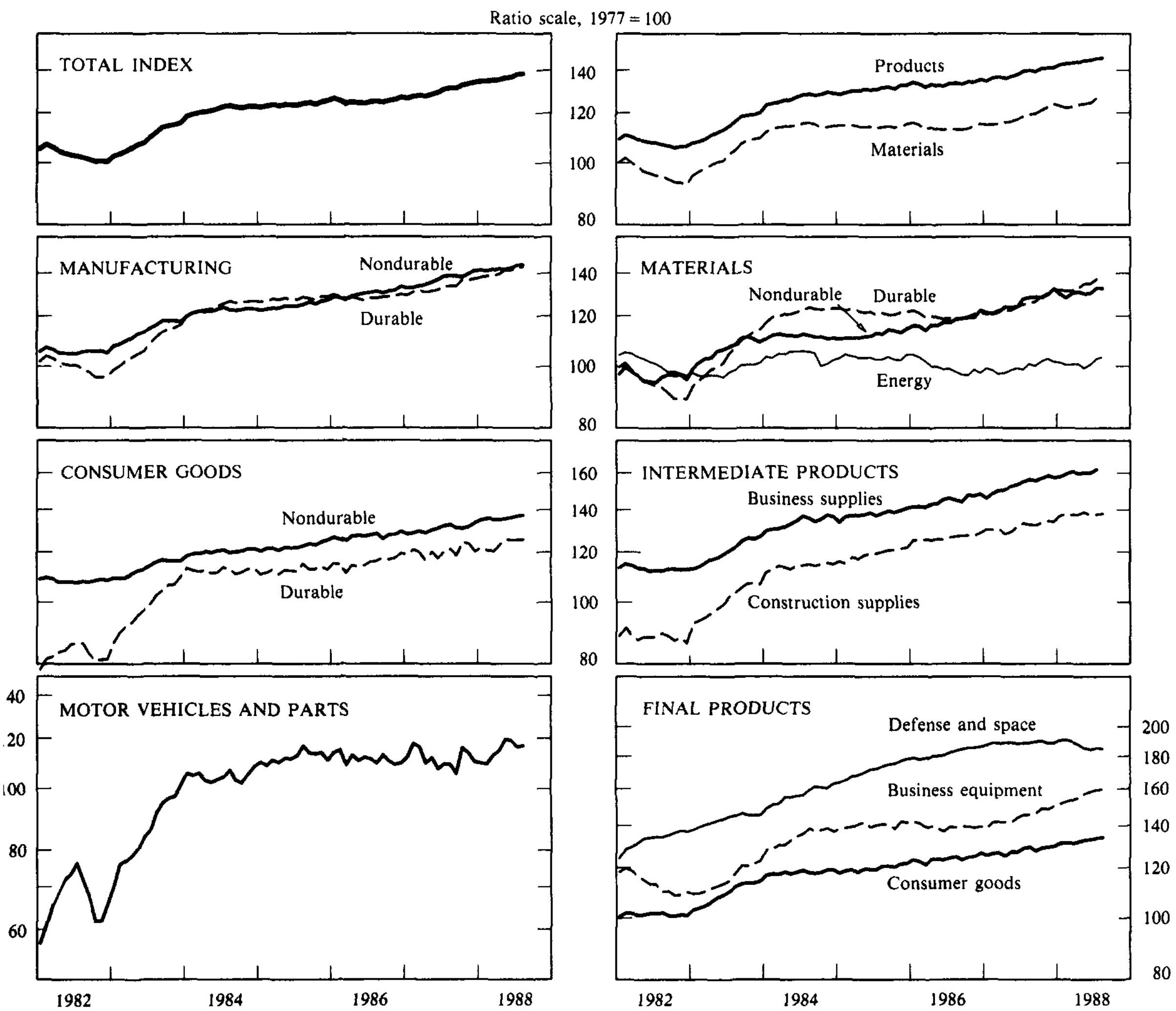
1. The self-selection problem is explained in greater detail and empirical estimates of its size are calculated in Mark Warshawsky, "Private Annuity Markets in the United States: 1919 to 1984," *Journal of Risk and Insurance* (forthcoming).
2. See Richard A. Ippolito, *Pensions, Economics and Public Policy* (Homewood, Ill.: Pension Research Council and Dow-Jones Irwin, 1985).
3. See Zvi Bodie and others, "Funding and Asset Allocation in Corporate Pension Plans: An Empirical Investigation," in Zvi Bodie, John B. Shoven, and David A. Wise, eds., *Issues in Pension Economics* (University of Chicago Press, 1987), pp. 15–44.
4. Alicia Munnell with Nicole Ernsberger, "Pension Contributions and the Stock Market," *New England Economic Review*, Federal Reserve Bank of Boston, November/December 1987, p. 9, report that 42 percent of a sample of large plans were subject to ERISA's full-funding limitation in 1986.
5. The source of data is Standard and Poor's Compustat Data Services, Inc. For further details, see Mark J. Warshawsky, "The Adequacy of Funding of Private Defined Benefit Pension Plans," in John A. Turner and Daniel J. Beller, eds., *Trends in Pensions, 1988* (U.S. Government Printing Office, forthcoming.)
6. See Berkowitz, Logue and Associates, "Study of the Investment Performance of ERISA Plans," report submitted to the Department of Labor, Office of Pension and Welfare Benefits, July 21, 1986.
7. Transaction costs are lower in futures markets than in the stock market because fees, commissions, and margin costs are lower and because futures markets are more liquid. See Arnold Kling, "Futures Markets and Transaction Costs," in Myron L. Kwast, ed., *Financial Futures and Options in the U.S. Economy: A Study by the Staff of the Federal Reserve System* (Board of Governors of the Federal Reserve System, 1986).
8. This discussion of portfolio insurance follows closely the description in Carolyn D. Davis and Alice P. White, *Stock Market Volatility*, Staff Studies 153 (Board of Governors of the Federal Reserve System, 1987).
9. Before the crash, portfolio insurance was estimated to cover up to $70 billion of assets. After the crash, the estimated coverage declined to less than $25 billion. See Trudy Ring, "66% Drop in Portfolio Insurance," *Pensions and Investment Age*, vol. 16 (January 25, 1988), pp. 2 and 84.
10. For further details and an example, see Munnell, "Pension Contributions and the Stock Market."

Industrial Production

Released for publication September 14

Industrial production increased 0.2 percent in August after having risen a revised 1.0 percent in July and 0.3 percent in June. In August, output of business equipment rose slightly further after having posted large gains throughout the first half of 1988. Production of most other major components also showed small increases in August. At 138.2 percent of the 1977 average, the total index in August was 5.3 percent higher than it was a year earlier.

In market groups, output of consumer goods increased slightly after having risen 0.5 percent in July. Automobile assemblies in August, at an annual rate of 7.0 million units, were down a bit



All series are seasonally adjusted. Latest figures: August.

Group	1977 = 100		Percentage change from preceding month					Percentage change, Aug. 1987 to Aug. 1988
	1988		1988					
	July	Aug.	Apr.	May	June	July	Aug.	
	Major market groups							
Total industrial production	**137.9**	**138.2**	**.5**	**.5**	**.3**	**1.0**	**.2**	**5.3**
Products, total	146.2	146.5	.3	.7	.2	.6	.2	4.7
Final products	144.8	145.0	.5	.7	.4	.5	.2	4.8
Consumer goods	133.7	134.0	.6	.6	.2	.5	.2	3.5
Durable	125.4	125.6	2.4	1.9	−.3	.1	.1	3.6
Nondurable	136.7	137.1	.0	.2	.4	.6	.3	3.5
Business equipment	159.3	159.7	.8	1.5	.9	.6	.2	9.7
Defense and space	185.4	184.9	−1.1	−1.3	−.5	.5	−.3	−2.2
Intermediate products	150.9	151.5	−.2	.5	−.4	.8	.4	4.2
Construction supplies	137.6	138.0	.2	.9	−1.1	.2	.3	4.2
Materials	126.5	126.9	.8	.3	.4	1.7	.3	6.3
	Major industry groups							
Manufacturing	143.4	143.7	.6	.7	.2	.9	.2	5.7
Durable	142.9	143.3	.6	1.3	.1	.9	.2	7.0
Nondurable	144.1	144.2	.4	−.2	.4	1.0	.1	3.9
Mining	104.9	104.6	2.0	−2.0	.0	2.3	−.3	3.7
Utilities	113.3	115.6	−2.0	.6	.7	.8	2.1	2.4

NOTE. Indexes are seasonally adjusted.

from July, but production of light trucks for consumer use advanced. In August, output of home goods declined following a large gain in July and has been, on balance, sluggish over the past year. Nondurable consumer goods rose further, mainly reflecting continued strength in chemical products as well as increased generation of electricity for residential use.

Among components of business equipment, output of manufacturing equipment continued to expand rapidly, but production of both commercial and transit equipment was little changed in July and August. Construction supplies rose slightly in August, owing in part to a settlement of one of the strikes that had affected the lumber industry during the summer. Output of materials, after having risen rapidly in July, increased 0.3 percent in August. Among durables, production of basic metals advanced sharply again, but output of parts for equipment slowed and parts for consumer durables declined. Within nondurables, chemical materials posted another gain, but output of textiles and paper fell. Energy materials continued to increase sharply, owing in part to the extraordinary summer heat, which boosted demands for electricity.

In industry groups, manufacturing output increased 0.2 percent in August as both nondurables and durables rose slightly. Production at utilities advanced about 2 percent, but mining output declined 0.3 percent, as coal production fell after a large increase in July.

Total industrial production—Revisions

Estimates as shown last month and current estimates

Month	Index (1977=100)		Percentage change from previous months	
	Previous	Current	Previous	Current
May	136.1	136.1	.5	.5
June	136.6	136.5	.4	.3
July	137.7	137.9	.8	1.0
August	...	138.2	...	.2

Statements to Congress

Statement by Manuel H. Johnson, Vice Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, September 8, 1988.

I appreciate this opportunity to appear before the Senate Banking Committee to address the various consumer provisions of Title IV of H.R. 5094, recently reported by the House Banking Committee. In my testimony, I will place special focus on the Community Reinvestment Act of 1977, which I will refer to as "the CRA," how CRA has been implemented, and how we can improve its administration.

In giving this emphasis to my testimony, I do not intend to convey any lesser degree of concern about other provisions that were included in Title IV of the bill, which, besides those affecting the CRA, also impose new regulatory requirements in the areas of government check cashing, basic financial services accounts, bank branch closings, equal credit opportunity, and home equity loan requirements. Taken as a whole, these new provisions constitute a massive new burden on the banking system, particularly on smaller banks without the resources to handle these regulatory requirements. I will address our serious concerns about these extensive new regulatory requirements at the conclusion of my testimony, as well as in a staff appendix.[1]

The Current CRA Framework

Before discussing suggestions that have been made for revising the CRA, I think it would be helpful to outline briefly the responsibilities established under the current provisions of the CRA and to discuss the steps taken by the Board to implement these policies. This will provide a useful perspective on the types of bank CRA programs that the Board believes are effective and will serve as a guide for organizing a meaningful discussion of the House bill and other programs that have been suggested for revising CRA in the future.

The CRA gives the federal financial supervisory agencies a significant role in assuring that financial institutions identify and take steps to meet the credit needs of their local communities. In particular, the CRA provides that the federal financial supervisory agencies must assess the record of each institution under their supervision in meeting the credit needs of the institution's entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. In addition, the CRA requires that the federal financial supervisory agencies take this record into account in evaluating an application by the institution for a deposit facility.

The CRA does not impose any specific lending or other requirements on financial institutions. Instead, the purpose of the CRA is to encourage depository institutions to make meaningful efforts to assure that local communities are aware of available credit facilities and to take steps to meet local credit needs in a nondiscriminatory manner compatible with safe and sound operation. The Board fully supports the purposes of CRA, and strongly believes that all depository institutions should make meaningful efforts to meet these objectives.

The Board's Implementation of the CRA

The Board has taken three broad steps to implement these CRA policies. These steps include conducting specialized CRA performance exam-

1. The attachments to this statement are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

inations, a program for informing banks of their responsibilities under the CRA, and a program for reviewing applications that includes consideration of the CRA performance records of the banks and bank holding companies involved. The Board's CRA performance examinations establish a framework for regularly assessing the performance of state member banks in meeting the credit needs of their communities. The outreach program helps inform banks regarding effective methods for assessing the needs of their communities and methods that are available to meet those needs. The applications process acts as an effective check on the performance of banks and bank holding companies that seek to expand and provides a vehicle for public participation in the review of the institution's CRA performance. The public has increasingly taken advantage of its ability to participate in the applications process, with the number of cases involving CRA comments increasing from only 3 in 1984 to 35 in 1987.

The Board's CRA Examination Process

The first part of our CRA program involves examination of the CRA performance records of state member banks. These examinations are carried out by examiners who are specifically trained in consumer compliance and CRA issues, and are conducted approximately every 18 months in most cases, and more frequently in the case of banks with less satisfactory records.

CRA examinations conducted by the Board focus on a number of factors and are designed to identify the general framework of an effective CRA program. They recognize that banks must be permitted the flexibility to meet the credit needs of the community in a way that is compatible with the bank's overall business strategy and the community's needs.

Among the factors examined by the Board are the bank's efforts to become aware of the credit needs of its community, and to implement marketing and special credit-related programs to inform members of the community of the credit services offered by the bank. In addition, the Board examines the bank's record of making loans within its community, including low- and moderate-income neighborhoods, and the bank's participation in local community development projects, and governmentally insured, guaranteed, or subsidized loan programs.

The examination also focuses on the geographic distribution of the bank's credit extensions, and the existence of any evidence of discriminatory or other illegal credit practices by the bank. Finally, the examiners take into account other information that relates to the bank's record of meeting the convenience and needs of its entire community, including the bank's record of opening and closing offices. These assessment factors have been incorporated in the Board's Regulation BB governing CRA matters.

As part of the examination process, our examiners contact members of the communities in which they conduct examinations—including local government agencies, small businesses, grass roots community organizations, and others—in an attempt to understand the needs of the community the bank serves. The examiners then discuss the performance of state member banks under the CRA with the bank's management in light of the examiner's contact with the community and provide both written and oral reports to the management. These examination reports are intended to inform the bank's management of both the strengths and weaknesses of the financial institution's CRA compliance efforts and to suggest particular steps that management may take to enhance that performance. When deficiencies are noted in the examination, the Reserve Bank continues supervisory attention until improvement has been achieved.

The Board's continued attention to CRA performance by our examiners has, I believe, emphasized to state member banks that we are serious about CRA and that we expect these banks to maintain responsible CRA programs. We also believe these efforts have been useful to the banks in designing effective CRA programs and, therefore, have resulted in benefits to local communities.

Community Outreach Programs

The second step taken by the Board to implement the policies of the CRA is the establishment at each of the Reserve Banks of community affairs officers, who provide information about community development strategies and techniques to banks, bank holding companies, and others. One of the goals of the System's community affairs program is to become familiar with the credit needs of the cities, towns, and rural areas in the Federal Reserve Districts through outreach to those areas. Once having identified these needs, our community affairs officers help banks to construct programs that will identify and address community credit needs.

For example, over the past three and one-half years the program has sponsored 120 conferences and seminars on opportunities and techniques for community development lending and other related subjects. In 1987 alone, the community affairs officers at the Reserve Banks sponsored more than 60 seminars and workshops that explored a variety of topics related to community investment, community revitalization, and rehabilitation financing. During 1987 the staff at the Reserve Banks spoke before more than 100 groups, most of which represented bankers, concerning the CRA.

The Reserve Banks have also undertaken additional initiatives, such as publishing periodicals that deal with community lending, producing resource books on the programs for community development lending in which a bank might wish to participate, forming community lender forums to provide mutual education about community development opportunities and techniques, and producing community profiles designed to help lenders and others in the community know what the needs are, what resources are available, and what contribution the various participants might make.

One activity in this area that I would particularly like to mention is our work with community development corporations. Since well before the advent of CRA, the Federal Reserve and the Comptroller of the Currency have allowed and encouraged the creation by bank holding companies and national banks of community development corporations. Community development corporations—or "CDCs" as they are called—are corporations chartered to bring the lending, financial packaging, and other special talents of the banker to bear on specific community projects. CDCs may focus, for example, on special community needs such as low-income housing or small business revitalization.

These corporations have the potential for making important contributions to community revitalization, in part because they are given unusual authority, such as authority to take equity positions and own real estate. In August 1987 the Federal Reserve and the Comptroller's office cosponsored a conference dealing with CDCs, which was attended by about 200 bankers. A pamphlet containing the proceedings of that conference was produced and widely distributed. Since that time we have seen a great deal of interest, particularly in the formation of national banks.

Community outreach efforts such as these are, we believe, an essential element of our charge under the CRA to encourage financial institutions to meet the credit needs of their communities.

Consideration of CRA Performance in the Applications Process

The third facet of our approach to implementing CRA involves consideration of the CRA performance records of banks in connection with applications received by the Board under the Bank Holding Company Act and the Bank Merger Act. CRA performance is taken into account, along with financial, safety and soundness, managerial, and competitive factors, when the Board reviews these applications.

Through its experience in examining the CRA performance of banks, the Board has found that institutions with the most effective CRA programs share a number of critical elements. These institutions accomplish the following:

1. Maintain outreach programs that include procedures to permit regular, ongoing, and meaningful communication between all levels of management of the bank and members of the community, community-based organizations, businesses, local agencies, and others for the purpose of ascertaining local credit and deposit needs, including, particularly, the credit needs of low- and moderate-income neighborhoods.
2. Establish formalized methods for incorporating the findings regarding community credit

needs gathered through these outreach efforts into the institution's development and delivery of products and services to all segments of the community.

3. Study opportunities for innovative lending programs for low- and moderate-income neighborhoods, including home mortgage and neighborhood and residential rehabilitation lending.

4. Support community development projects, such as Neighborhood Housing Services Programs, and develop policies to meet specific, identified needs of low- and moderate-income persons.

5. Through specifically designed marketing and advertising programs, stimulate public awareness of the bank's services throughout the community, including efforts targeted to low- and moderate-income neighborhoods and groups.

6. Establish systems for monitoring the institution's performance at senior management levels and periodically assessing areas for improvement.

7. Train employees regarding the lending opportunities offered through the institution as well as the availability of community and local development programs.

It has been the Board's practice in the applications process, as a general matter, to work with institutions to improve their CRA performance. The Board's experience has been that a significant and growing number of banks and bank holding companies have adopted formal and detailed internal policies and programs to address their responsibilities under the CRA.

When the Board has found inadequacies in a bank holding company's performance or program in the context of an application before the Board, these institutions have made commitments designed to improve the institution's CRA performance and to permit the Board to proceed to review the application. Usually these commitments have addressed many of the concerns raised by public comments, as well as those expressed by the Board in similar applications.

While the commitments vary from case to case depending on the particular facts, commitments generally relate to establishing or improving programs for ascertaining the credit needs of the community; implementing programs to make the community more aware of the institution's credit services through newspaper and radio advertisements, brochures, posters, or officer call programs; improving internal procedures for reviewing and implementing CRA policies; and, finally, in some cases, improving certain types of lending when the record indicated that the applicant had not been active in making loans in areas when the applicant had itself identified a need in its CRA statement. Although protestants sometimes request that the applicant also reduce interest rates or relax credit standards, the Community Reinvestment Act and the Bank Holding Company Act do not authorize the Board to establish the terms or conditions of loans, nor does the Board believe that this was the intent of the Congress in enacting the CRA.

An essential part of this process are the affirmative steps that the Board takes to assure that institutions fulfill commitments made during the applications process. In particular, the Board often requires special periodic reports from the applicant regarding progress in implementing the commitments. The Board examiners also review compliance with the commitments during periodic CRA examinations of state member banks. In addition, the Board will check for adherence to the commitments—and take into account efforts to fulfill these commitments—the next time the institution submits an application.

In fact, we have observed that banks have improved the attention and resources devoted to the credit needs of their communities, including low- and moderate-income neighborhoods. For example, home mortgage lending in low- and moderate-income areas has increased steadily and substantially during this decade. Despite increasing competition by other financial service providers, banks have maintained their predominant position in the field of small business lending, outstripping other financial service providers by a wide margin. Furthermore, banks have consistently been the predominant lenders in the Small Business Administration's lending programs. Forty-four of the fifty-five national bank and bank holding company community development corporations have been formed since the CRA was enacted in 1977. Banks have been among the primary lenders for projects undertaken under the Department of Housing and Urban Development's Urban Development Action Grant program, and have been substantial financial contributors to the Neighborhood Housing Services programs around the country.

In our view, the results achieved through our efforts to implement the current provisions of the CRA are substantial. Viewed from the perspective of the objectives of the CRA that I outlined this morning, the Board's implementation program must be viewed as successful. As I said at the outset, the purpose of the CRA is to assure that banks take steps to identify the credit needs of the community, make all segments of the community aware of the credit facilities offered by the bank, and meet the credit needs of creditworthy members of all segments of the community in a nondiscriminatory manner. We believe that our CRA program has made important contributions to achieving these goals.

RECOMMENDED IMPROVEMENTS IN THE CRA

We recognize that improvements in the implementation of the CRA can be made, but we do not see a need for major revision of the CRA. We believe that the current CRA policies and framework are fundamentally sound and workable. Any modification to that system must be carefully tailored not to upset the balance between the needs of local communities and the safe and sound operation of banks, or to raise administrative obstacles that may tend to erase the gains already achieved by the CRA.

It is from this perspective that the Board believes modifications of the CRA must be viewed. With these objectives in mind, the Board initiated an ongoing study earlier this year of the Board's CRA programs and established a staff task force to identify model CRA programs and factors that are necessary for the implementation of a sound CRA program. The Board believes that this self-evaluation, which is based on 10 years of experience with the CRA, will lead to further improvement in the Board's implementation of the CRA.

The Board has also considered changes in the law that would improve the current CRA process. We believe that changes in CRA should focus on two criticisms of the existing CRA process: (1) that there is not enough opportunity for individuals and community groups to have input into the evaluation of CRA performance of institutions, and (2) that high CRA examination ratings are commonplace. We believe that these criticisms could be fully met by providing a mechanism that would permit the public to participate in the assessment of the CRA performance records of financial institutions.

This could be effectively accomplished through establishment of a two-stage procedure. First, the appropriate federal financial supervisory agencies should publish, approximately every two years, an evaluation of each financial institution's record of performance under the CRA. This evaluation would provide the public with the basis for the regulatory agency's analysis of the CRA performance of each financial institution. Second, the public should be invited to submit comments regarding this evaluation and the institution's performance record. As an essential part of this program, the federal financial supervisory agencies would be required to take these public comments into account in reviewing expansion proposals by the institution.

In our view, this approach would provide a meaningful and highly effective method for communication among banks, communities, and regulators regarding the community's needs, the institution's CRA plans and goals to address those needs, and the institution's record of accomplishment in meeting their responsibilities under the CRA on a regular basis.

It would also assure the advantage of increased public participation without establishing a complex system that relies on credit allocation or intricate administrative procedures that are designed to enforce CRA compliance by imposing the possibility of costly delays. Moreover, this approach has the advantage of simplicity and could be incorporated into the existing framework established by the CRA as an effective substitute for many of the provisions of Title IV of the House bill.

ANALYSIS OF TITLE IV OF H.R. 5094

I have tried to paint a background that describes current CRA policy and the Board's implementation of that policy and explains the areas that the Board believes could be improved. I would like to turn now to a discussion of the provisions of Title IV of H.R. 5094 and the Board's concerns regarding the likely effect of these provisions on the existing CRA framework.

I hope the committee will bear with me while I take a few minutes to explain the complexities of the House bill, because it is so important that the Congress understand the full ramifications of the bill's exceedingly complex and procedurally burdensome framework of data collection, CRA performance evaluation, and new administrative requirements.

Summary of Title IV

Title IV of the House bill establishes a framework that includes four basic parts. These parts include the following: (1) data collection requirements in three specified lending areas; (2) a comparative evaluation of the resources devoted by banks of comparable size to these three lending areas; (3) limitations imposed on both banking and nonbanking expansion proposals based on an institution's numerical CRA rating; and (4) the establishment of a number of complex and protracted procedures for analyzing applications submitted under the Bank Holding Company Act.

The first part of the House proposal requires that institutions collect data regarding their housing loans in low- and moderate-income neighborhoods, small business loans and small farm loans, as well as investments in community development projects and associated activities in these three specific areas. While data collection alone is only burdensome, when combined with other parts of the bill, these requirements move the CRA away from its present emphasis on expanding awareness of credit-granting opportunities toward directed lending for specific purposes.

Second, the bill requires that the federal financial institutions supervisory agencies prepare and make available to the public evaluations of the record of depository institutions in meeting the credit needs of their communities, placing special emphasis on the specific types of loans for which data collection requirements are set under the bill. The proposal revises the current CRA rating system to provide a comparative system that requires institutions of the same size to devote comparable resources to community investment activities. The system includes five rating categories: two above-average ratings, one average rating, and two below-average ratings.

Third, the House bill would require as a prerequisite to any banking or nonbanking expansion that bank holding companies have an imputed CRA rating that is above average on a comparative basis with institutions of similar size. Institutions with an average CRA rating could be granted preliminary approval to expand their nonbanking and interstate banking activities provided that they commit to implement policies that will improve their CRA performance. The bill establishes a complex procedure for monitoring compliance with these commitments. Institutions with a below-average CRA rating would be prohibited from acquiring other financial institutions on an interstate basis or from expanding their nonbanking activities. A detailed and extended process would be established to permit these institutions to acquire additional banks within their home state provided they commit to improve their CRA performance.

Finally, the bill would revise the applications process under the Bank Holding Company Act in several key respects. The bill would extend to 45 days the period during which the public may submit comments regarding any proposal requiring Board approval under the Bank Holding Company Act except simple reorganizations. In addition, the bill would establish a formidable procedure spanning a course of two years and involving public comment, two stages of Board review, and a mandatory public hearing in cases involving acquisitions by bank holding companies with an average or below average CRA performance rating.

Major Areas of Concern

Although the House Banking Committee has adopted a number of improvements to Title IV that reflect comments made by the federal banking agencies and others, the Board believes that a number of significant problems continue to exist with the House bill. There are five areas of major concern:

1. The provisions of the bill will work together to establish a system of credit allocation.

2. The extended comment period required in the bill for all applications submitted under the Bank Holding Company Act will impose unnecessary costs and burdens on applicants with no practical benefit to the public.

3. The comparative rating system has the anamolous effect of putting banks in an inappropriate competitive CRA performance race, and by complex procedures prevents so-called average performers from undertaking any expansion.

4. The protracted preliminary review and postapproval hearing procedures established by the bill are excessively burdensome.

5. In contrast to existing CRA provisions, many parts of the new statute do not recognize the existing obligation of banks to make credit decisions consistent with safe and sound banking practice.

Our staff has prepared a more detailed appendix discussing a number of other difficulties that we see in the implementation of Title IV.

As I have stressed, the major defect of the bill is that its proposed information collection requirements, CRA rating system, and limitations on the approval of expansionary programs by banks and bank holding companies will, taken as a whole, have the effect of requiring financial institutions to devote increasing amounts of resources to areas for which data are collected. This is because, under the system contained in the House bill, it is impossible for a bank regulator to give an above-average rating to an institution unless the institution has committed an above-average level of resources to three specific types of loans for which data are to be collected.

By tying the data collection and rating system to three specific loan categories, the bill departs from the existing CRA philosophy, which permits banks to meet the needs of the community in a variety of ways, from purchasing low-income housing bonds to making business loans in minority areas. It will, thus, stifle the ability of financial institutions to specialize in certain particular banking areas and to shoulder their CRA responsibility in a manner consistent with their business strategy. We are also concerned that credit needs of the community in other areas may go largely unmet by banks because resource commitments in these other areas clearly are given only minor significance under the rating system established in the House bill. Thus, the effect of the bill will be to establish congressionally mandated direction of credit for specific purposes and to remove the flexibility that banks currently have to identify and meet the special needs of their community in a manner that takes advantage of the special skills and resources of individual banks.

This system is made worse by the bill's use of a comparative CRA rating system that limits the ability of institutions with an average CRA rating to expand. The House bill requires that the agencies grade financial institutions by comparing the resources devoted by the institution to community investment activities, particularly in the three specified areas for which data are collected, to the resources committed by similar size institutions.

The bill also establishes a base rating of "average" on this comparative scale and limits the ability of institutions with a performance rating of average or below average from expanding their banking or nonbanking activities. By setting an "average" rating as the centerpiece of a comparative system, the bill will effectively force financial institutions to bid against similarly sized financial institutions for the above-average CRA ratings that are necessary to gain approval of expansion proposals. The Board is very concerned that this comparative rating system will force financial institutions to extend credit without regard to principles of safety and soundness to assure that the institution has devoted sufficient resources to the bill's three specified lending areas in comparison with their peers to obtain an above-average CRA rating.

The Board believes that this system is also defective because the complex and protracted application process established by the House bill for proposals involving acquisitions by bank holding companies with an average CRA rating effectively makes the average rating unsatisfactory in all meaningful respects. Any CRA rating that is not "above average"—whether it is a rating of average or poor—will, in practice, have the same result of preventing the institution from taking advantage of opportunities to expand into new geographic locations and new nonbanking areas.

The Board is also concerned that, taken together, the impact of this bill will act as a tax on financial institutions that will reduce the ability of regulated financial institutions to compete effectively against unregulated entities that provide similar products and services. This would ultimately hurt all segments of the consuming public.

The House bill also establishes an excessively elaborate system of procedures for evaluating and considering the CRA records of financial institutions. The bill would establish a minimum public comment period of 45 days for all applications or notices submitted to the Board to acquire banks under section 3 or to expand nonbanking activities under section 4 of the Bank Holding Company Act.

In addition, the procedures established by the House bill for reviewing applications by bank holding companies with an average CRA rating are also exceedingly complex and would establish an excessively protracted administrative process. In these cases, the bill establishes a preliminary approval process in which the acquiring bank holding company is permitted to commit to specific proposals designed to improve its CRA performance. Besides initial public comment and review of the proposal and CRA commitments, the bill imposes a re-review process of the acquisition and commitments six months after the acquisition has been consummated, and mandates a public hearing on the proposal two years after the acquisition has been completed.

The Board does not believe that the very small number of cases in which CRA comments are received warrants a significant increase in the public comment period in all cases reviewed by the Board, particularly in view of the added expense and burden that this extended delay would impose. The Board could simply be directed to use its existing authority both to permit members of the public additional time to comment on applications before the Board and to assure that commitments made by bank holding companies during that process are met.

The protracted re-review procedure established by the bill introduces substantial uncertainty into the approval process and could extend that regulatory review process far beyond the time horizon of most investors. In our view, permitting the public to participate in assessing the CRA performance of the bank holding company in the manner I proposed earlier would provide a better vehicle for permitting public participation in the enforcement of CRA commitments.

Title II of S. 1886 makes significant strides toward streamlining the review process under the Bank Holding Company Act and reducing the costs associated with the applications process. The Board has fully supported these provisions of the Senate bill. The needless extension of the comment period and the complex review procedures established for certain expansion proposals that have been proposed in the House bill, however, would largely vitiate the gains made by the expedited procedures process established in S. 1886.

Suggestions for Modification of Title IV

Along with the suggestions that I have made for increasing public participation in assessing the CRA performance of banks, other improvements are needed to deal with the problems I have raised. First, the specific data collection requirements of the bill should be eliminated. In place of this rigid format, which has the effect of limiting lending flexibility, financial institutions should be permitted to collect whatever data are appropriate to demonstrate their record of meeting the credit needs of the community that the institution has identified and targeted. The institution could be required to make this data available in summary form for inspection by the public as part of the institution's CRA program.

Second, as a substitute for the comparative rating system proposed in the bill, the bill should adopt the procedure for public participation in the process for examining the CRA performance of financial institutions that I have outlined. Clearly, the system that is centered on a rating defined as "average," and on a comparison of resources devoted by financial institutions should be eliminated. Moreover, the bill must be changed to permit banks to recognize their obligation to make credit decisions consistent with safe and sound banking practice and must permit the federal agencies to take these principles into account in evaluating the CRA performance of financial institutions.

Third, a 45-day public comment period should not be required in every case reviewed by the Board. Instead, the Board could be instructed to grant extensions of the public comment period whenever a request for additional time has been made and a reasonable showing has been made that an extension is appropriate.

Finally, the complex and burdensome procedural requirements that the bill would impose on bank holding companies that do not achieve an above-average CRA performance rating should be replaced by a specific direction to the Board to use its existing authority to enforce commitments by bank holding companies to improve their CRA performance offered in connection with applications and notices submitted under the Bank Holding Company Act.

Community Review Boards

The House bill also makes a number of changes in other areas. I would like to discuss only a few of these. First, the bill would require each Federal Reserve Bank to establish a community review board that would advise each of the federal regulators of depository institutions of the needs of consumers and communities within the Reserve Bank District and would review the agencies' performance in implementing the policies of the CRA. We believe that these boards, as constituted, are not well suited to the mission assigned to them and would duplicate work already done by the existing Consumer Advisory Council.

The regional focus of these review boards is too narrow to provide meaningful advice on examination standards and practices, which must be uniform across the country. We believe that the Board's Consumer Advisory Council already serves this function. These review boards are also ill suited to advise the Reserve Banks on local issues, which can be effectively surveyed only by an extensive outreach program that includes contact with as many communities as possible. The Board believes that its existing Community Affairs Officers and outreach programs provide the most effective methods of assessing these varied needs. In this regard, we note that the Federal Advisory Committee Act embodies a congressional policy to avoid the creation of new advisory committees whose functions could be performed by an advisory committee already in existence.

Government Check Cashing

The House bill would require financial institutions to establish a program for cashing government checks. The Board does not, in principle, favor a statutory requirement that mandates the provision of certain services at a specified price. The Board recognizes that many of the changes made in the final version of the bill are helpful in reducing the potential for fraud that is associated with these programs. But the risk of fraud remains a real concern in a situation in which banks are required to provide immediate cash where the authentication of the check being offered may be difficult to verify, and the identification procedures are subject to abuse.

The Board questions, however, whether focusing exclusively on check cashing is the best approach to the problem of delivering government payments in a reliable and efficient manner. We believe that electronic alternatives represent a much better long-term solution to problems in this area. Any legislation on the subject should provide some sort of encouragement to develop more innovative ways of delivering government payments.

For example, consideration should be given to the development of arrangements whereby federal, state, and local benefit payments could be electronically transferred to depository institutions that have agreed to participate in a voluntary program. The cost to the banking industry to process an electronic payment is much lower, and, consequently, the fee charged to the individual would probably be considerably less than the $2.00 charge now permitted in the House bill for cashing a government check.

Basic Banking

Similarly, the Board believes that it is inappropriate to require depository institutions to offer basic transaction accounts at a given price. Our concern is that any mandatory arrangement will be both static and inflexible and that transaction account fee requirements will be extremely difficult to implement in regulations. In light of these problems, the Board believes that voluntary efforts by financial institutions to offer basic low-cost accounts are the appropriate response. Surveys indicate that as many as 50 percent of financial institutions voluntarily offer basic banking services and that more institutions establish these types of programs every year. The Board believes that the trend will increase and can be encouraged without legislation mandating a specific program of services and fees.

Expedited Funds Availability Amendments and Other Provisions

The House bill contains several amendments to the Expedited Funds Availability Act. For the most part, these amendments facilitate compliance with the act's requirements and reduce the risk of fraud in accepting checks that must be given next-day availability. The Board supports these amendments and believes that the Congress should act on them quickly.

The Board continues to be concerned, however, about the treatment of payable-through drafts under the act. The House bill contains an amendment that would explicitly codify a recent decision by the U.S. District Court that credit union share drafts that are payable through another bank be treated as local or nonlocal checks based on the location of the credit union, rather than the payable-through bank.

The Board believes that under this approach, it is difficult for consumers to understand when the proceeds of credit union payable through share drafts are available for withdrawal, it is difficult for depository institutions to comply with the act, and the risk associated with accepting these drafts for deposit is increased. Therefore, the Board recommends that the Congress adopt an amendment clarifying the act to provide that, in the case of payable through drafts that are payable by a depository institution, the determination of whether the draft is local or nonlocal be based on the location of the payable through bank.

With regard to the provisions on Truth in Savings, home equity lines of credit, and the Equal Credit Opportunity Act, which are discussed in the attached appendix, the Board supports the need for full disclosure to consumers about the terms of their deposit and credit accounts, but we question the need for substantive limitations on the practices of institutions.

Conclusion

Our criticism today of some of the provisions of Title IV of the House bill stems from our judgment that the policies and framework established by the CRA are sound and workable. The Board fully supports the basic purpose of the CRA of encouraging financial institutions to meet the credit needs of all segments of their local communities in a manner that is nondiscriminatory and consistent with the principles of safe and sound banking practice. We believe that our current system of examinations, community outreach programs, and review of applications is well suited for this purpose and has been successful in encouraging banks to increase their commitment of resources to community needs including low- and moderate-income neighborhoods.

The changes in the CRA that are proposed in the House bill go far beyond the alterations that we believe can be justified by our experience in administering and reviewing compliance with the CRA. These changes upset the balance established in the CRA between the responsibility of financial institutions to serve the needs of all segments of their communities and the principles of safe and sound banking. In the process, the House bill establishes a framework that tends toward credit allocation and erects formidable procedural obstacles.

We recognize that some improvements can still be made in the implementation of the policies of the CRA. In particular, we have offered detailed recommendations that include a new system of public participation in assessing a bank's CRA performance, elimination of rigid data collection requirements, adoption of provisions for granting requests by members of the public for extensions of the public comment period on applications, and use of the Board's authority to enforce bank commitments to improve CRA performance. The objective of these suggestions is to improve communication between banks and all segments of the communities they serve, and to assure that credit is available on a nondiscriminatory basis to creditworthy customers.

We stand ready to provide any assistance that we can in this area. □

Statement by H. Robert Heller, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Commerce, Consumer Protection, and Competitiveness of the Committee on Energy and Commerce, U.S. House of Representatives, September 9, 1988.

I am pleased to be here today to present the Federal Reserve Board's position on the insurance provisions of H.R. 5094, the Depository Institutions Act of 1988. During consideration of the bill by the House Banking Committee, the Board recommended deletion of the insurance provisions as unnecessarily restrictive of competition to the detriment of consumers. The Board maintains that view, with the exception that it supports the bill's intent to authorize bank holding companies to offer financial guaranty insurance. My remarks will amplify these general statements.

The Need for Financial Restructuring Legislation

The Board has strongly supported congressional efforts to enact legislation to update the nation's banking statutes and to create a framework that will allow depository institutions to adapt to the changes in technology and competition that are transforming our financial markets. We are encouraged by efforts undertaken first in the Senate, and now in the House, to begin the process of modernizing the financial system by establishing appropriate structural arrangements for bank holding companies to conduct securities activities. Important goals of these efforts include the promotion of competition and consumer service by broadening the array of financial services providers and enhancing the flexibility and safety of banking organizations and the banking system generally.

To the extent that the bill's insurance provisions are measured against these standards, they fall short. Rather than offering consumers a broader choice of products and financial services providers, the insurance title restricts the number of market participants and opportunities for price competition and constructive product innovation. Rather than allowing depository institutions to develop a more flexible line of products and enhance consumer choices, the provisions impose unnecessary additional barriers to bank participation in insurance agency activities. Importantly, these new restrictions would be imposed in a manner that focuses not on questions of risk, but on ownership, and in so doing would arbitrarily cut back the already limited insurance agency powers of bank holding companies as well as their subsidiary banks.

Bank Holding Company Experience with Insurance Activities

The Board has consistently supported the provision of insurance agency activities by banks and bank holding companies. Acting under the provisions of the Bank Holding Company Act, the Board has authorized the careful expansion of insurance agency activities for bank holding companies. In the original 1956 act, the Congress recognized the appropriateness and benefits of permitting bank holding companies to sell insurance by authorizing, in the act itself, holding company participation in activities of a financial or insurance nature. Pursuant to this standard, the Board from 1956 to 1970 approved a variety of insurance agency activities for holding companies, including operating general insurance agencies, as well as selling credit-related life, accident, and health insurance, the development of which, I might add, was pioneered by banks.

After the 1970 amendments added the closely-related-to-banking standard to the Bank Holding Company Act, the Board continued to authorize insurance agency activities for bank holding companies, including particularly the sale of credit-related property and casualty insurance. In authorizing this activity, the Board determined that its conduct by bank holding companies could be expected to produce public benefits in the form of increased competition and customer convenience that outweighed potential adverse effects. As I will discuss below, the Board also adopted various precautions to guard against the potential for conflicts of interest in the combination of banking and insurance.

The Board's decision with respect to the sale of credit-related property and casualty insurance was challenged, and, in a series of court cases, upheld by the federal courts as an appropriate activity for bank holding companies under the closely-related-to-banking standard and as meeting the standards of safety and soundness, conflict of interest, and other potential standards in the act.

Subsequently, in 1982, the Congress amended the Bank Holding Company Act to prohibit bank holding companies generally from engaging in insurance activities subject to seven exceptions. This statute thereby prohibited bank holding companies from operating general insurance agencies or selling credit-related property and casualty insurance, except in small towns, or by small holding companies, or when the bank holding company had been authorized to do so before the new statute's enactment.

Risk and Conflict of Interest Concerns

Nevertheless, over the more than 30 years since passage of the Bank Holding Company Act, bank holding companies either directly or through bank subsidiaries have become substantial providers of insurance agency products. Based on this record, the Board's view has been that increased bank participation in insurance agency activities may be expected to enhance consumer convenience, lower the cost of insurance, and promote product innovation. Significantly, the Board has found no evidence that these activities have adversely affected bank safety and soundness or the banking system generally, or created the potential for conflicts of interest or other adverse effects. Today's highly competitive market for consumer credit, the Bank Holding Company Act's prohibitions against the tying of bank and nonbank products, such as insurance, and Board regulations requiring disclosure when insurance is sold by lenders substantially mitigate concerns regarding the potential for tying of insurance purchases to credit decisions. I might add that as a result of the Bank Holding Company Act's antitying provisions, bank customers are offered more protection in this area than are customers of their nonbank competitors, such as finance companies, which are not subject to these tying prohibitions and, of course, may sell all types of insurance.

In light of these safeguards, the Board does not believe that a general prohibition on the conduct of insurance by bank holding companies and their subsidiaries is necessary or warranted.

Board Reservations Regarding Title III of H.R. 5094

The insurance provisions of H.R. 5094 further limit the already limited insurance agency activities permitted under the 1982 Garn–St Germain Act in two principal respects: First, the bill extends the Garn–St Germain Act to state bank subsidiaries of bank holding companies. Under the bill, state banks may not engage in state authorized insurance activities if they are acquired by an out-of-state bank holding company. Further, state banks owned by in-state bank holding companies must limit their insurance activities to persons present in the state. Second, the bill eliminates insurance agency activities protected by the grandfather provisions of the 1982 act if the bank holding company providing the insurance is acquired by another bank holding company.

Insurance Agency Activities of State Banks

With regard to the insurance agency activities of state banks, the Board is opposed to the additional limitations contained in the bill for several reasons. First, as noted, the Board believes that there is no competitive or risk-related rationale to justify further restrictions on the conduct of insurance agency activities by banking organizations. This is particularly the case since the bill imposes these further restrictions unevenly based solely on the ownership of the bank by a holding company.

Second the Board believes that considerations of competitive equity weigh against further restrictions on bank holding company sales of insurance. Thrift institutions, and their holding companies, independent banks, and nonbank lenders, such as finance companies and mortgage banking concerns, have unlimited authority to operate general insurance agency activities. Moreover, a number of our nation's leading insurance underwriting companies have recently acquired federally insured commercial banks or thrift institutions.

Thirdly, the provisions of H.R. 5094, which restrict insurance activities on the basis of ownership by an out-of-state entity, run directly counter to both marketplace developments and policy determinations regarding the provision of banking services on an interstate basis. This decade has seen a rapid and needed movement toward full interstate banking. Currently, all but five states have enacted laws providing for acquisition of banks in these states by out-of-state holding companies. We believe that it is anticompetitive and not in the best interest of consumers to require the elimination of bank insurance competitors as a penalty for the benefits of interstate banking.

Finally, the bill goes far beyond merely closing the South Dakota loophole. As drafted, the bill would require a state bank acquired by an out-of-state bank holding company to cease selling insurance even in the bank's own state. The Board sees no economic justification for this uneven treatment for state banks owned by out-of-state bank holding companies.

LOSS OF EXEMPTION D RIGHTS

Under Exemption D of the Garn–St Germain Act, bank holding companies may continue to engage in insurance agency activities that they conducted on the May 2, 1982, grandfather date. The exemption applies only to the particular company actively conducting insurance activities on that date. Other affiliates within the same holding company are not allowed to engage in grandfathered activities, and there are geographic and product limitations imposed on an Exemption D company. The purpose of this exemption was to avoid the disruption of established customer relationships or the forced divestiture of insurance activities lawfully authorized under the Bank Holding Company Act and conducted, in many cases, for a number of years.

H.R. 5094 would terminate these grandfather rights if the grandfathered company were acquired by another bank holding company. The Board believes that this termination of grandfather rights is unnecessary in view of the substantial limitations already placed on Exemption D companies. In the Board's view, the intent of Exemption D is that the grandfathered subsidiary should continue to be able to engage in the activity, even if acquired by another bank holding company, so long as the grandfathered subsidiary complies with the geographic and functional limitations in Exemption D and the insurance activity is not transferred to the acquiring company. Under these limitations, already contained in the statute, the acquisition would not add an additional insurance competitor or permit the grandfathered subsidiary to expand its activities other than as limited under Exemption D.

For example, under current law, if a California bank holding company were to acquire a Texas bank holding company with grandfathered insurance activities, these activities could not be exported to California or offered by the California holding company. With such limitations already in place, the Board sees no public policy gain in requiring the termination of the insurance activities of the Texas company with the attendant disruption in settled customer relationships, the loss of a market competitor, and the possibility of substantial financial loss.

Accordingly, the Board would strongly urge that, consistent with the intent of the 1982 Garn–St Germain Act, Exemption D not be revised as proposed.

FINANCIAL GUARANTY INSURANCE

The Board supports as constructive and reflecting the changes that are under way in our financial markets the provisions of the bill permitting financial guaranty insurance.

We believe, however, that as in the case of the securities powers authorized under the bill, it would be preferable for this insurance to be provided through a separate subsidiary of the bank holding company rather than by a subsidiary bank. As presently drafted, the bill would permit banks to offer this product. Unlike the operation of a general insurance agency, financial guaranty insurance is a new activity for banking organizations and poses the additional risk associated with the company acting as a principal rather than as an agent. The Board views these risks as manageable, in large part because banks have had long experience in providing similar types of financial guarantees, such as standby letters of credit. It is, however, in keeping with our general philosophy to safeguard banks and protect the federal safety net to separate nonbank activities from the bank by placing them in separate subsidiaries of the holding company rather than in the bank itself.

The approach of insulating the bank from other activities is integral to the Board's recommendation in favor of the repeal of the Glass–Steagall Act's separation of commercial and investment banking, and, as noted, it is the approach embodied in other sections of H.R. 5094 authorizing bank securities activities. We strongly recommend that such a framework be utilized for nonbanking activities such as insurance underwriting that might be authorized by the Congress.

The advantages to such an approach lie in the separation of banking activities, which are ultimately supported by federal deposit insurance and by access to the Federal Reserve System's discount window, from other activities of the bank holding company. As long as there are adequate fire walls between the bank and other subsidiaries of the holding company, any financial problems of the nonbank activities are less likely to become the problems of either the bank or the banking system. Similarly, location of the new activity in a separate subsidiary, along with appropriate fire walls, helps to ensure that the protections of the federal safety net are not extended to the subsidiary's activities.

CONCLUSION

To conclude, our analysis of the insurance title of the Depository Institutions Act of 1988 suggests that many of the provisions would further restrict the ability of banking organizations to compete in the provision of insurance agency products and services, thereby limiting consumer options, eliminating the prospect of decreased costs and improved services, and, in many cases, forcing bank customers to turn to other sources to meet insurance needs that banks have long satisfied. Based upon the established record of prudence and safety that bank holding companies and banks have in insurance agency activities, the existing statutory and regulatory safeguards, and concepts of competitive equity, the Board cannot support these further restrictions on bank insurance agency activities. On the contrary, it is the Board's view that insurance agency activities represent an appropriate adjunct to traditional banking activities. The Board would also support, subject to appropriate fire walls, a provision authorizing bank holding companies to offer financial guaranty insurance as well as a broader range of insurance products. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Monopolies and Commercial Law of the Committee on the Judiciary, U.S. House of Representatives, September 14, 1988.

I am pleased to take this opportunity to present the Federal Reserve Board's views on the competition and concentration of resources implications of H.R. 5094, the Depository Institutions Act of 1988. The promotion of competition in the financial services industry and the prevention of the undue concentration of resources are important goals of Federal Reserve regulatory policy. Indeed, we are required to pursue these objectives by the Bank Holding Company Act.

For several years the Board has argued forcefully that our laws regarding financial structure need substantial revision to sustain and promote competitive financial institutions. We have strongly supported repeal of the Glass–Steagall separations of commercial and investment banking and are very much in favor of the Financial Modernization Act passed by the Senate, including its establishment of the bank holding company subsidiary framework for expanded securities powers. We believe that this framework, which is also the approach of the proposed Depository Institutions Act, is the best available, can be tested in the "real world" of financial institutions, and, if it proves as effective as we expect, should serve as a foundation on which to build more generally for the future. I urge the committee to support the establishment of this approach to expanded securities powers.

Without denigrating the importance of encouraging competition and preventing the undue concentration of resources, it must be remembered that there are other important goals of regulatory policy. Here also the Bank Holding Company Act includes principles that made good sense when they were first enacted and that make good sense today. By these I mean that the Bank Holding Company Act also requires us to consider, in determining the appropriateness of new activities for bank holding companies, whether the activities will result in unsafe and unsound banking practices, decreased competition, or conflicts of interest. Over the years we have interpreted these principles to be consistent with our efforts to promote competitive and efficient capital markets and to protect impartiality in the granting of credit, to avoid the risk of systemic failure of the insured depository system, and to prevent the extension of the federal safety net to nonbanking activities.

I am sure it will come as no surprise when I tell you that success in achieving these multiple objectives is neither easy nor assured, and that one goal can sometimes be in conflict with another. For example, some proposed new powers are relatively risky, and it may be necessary to sacrifice some competitive benefits to insulate these new activities from an affiliated bank. Here again, we believe that the framework of the bank holding company subsidiary that would be established by both the Senate's bill and the Depository Institutions Act of 1988 appropriately balances our complex goals.

Since the Bank Holding Company Act provides the foundation of our current and, we hope, our future approach to dealing with competition issues, I should like to review briefly how the Federal Reserve uses that act in this area. I will argue that the existing provisions of the Bank Holding Company Act are fully adequate to address these concerns. The final section of my testimony discusses in some detail why the Board feels that reform of the Glass–Steagall Act is procompetitive, identifies those provisions of the proposed Depository Institutions Act of 1988 that we feel go too far in restricting the expected benefits of increased competition, and explains why we feel the issue of the undue concentration of resources is not a major concern.

Board Supports the Approach of the Bank Holding Company Act to Competition

The Board is generally comfortable with, and supports, the provisions of H.R. 5094 aimed at maintaining competition. The proposed bill's provisions on competition retain the principles set down in the Bank Holding Company Act as amended in 1970. These principles require that the Board not approve any acquisition or merger that would result in a monopoly, an attempt to monopolize, or a substantial lessening of competition in any section of the nation unless the anticompetitive effects are clearly outweighed by other public interest concerns. We believe that these principles continue to make good sense. Moreover, they have proved to be workable and effective in practice during almost two decades of experience. Thus, the banking system has remained highly competitive and there has been no general tendency toward an undue concentration of financial resources during this period even as bank holding companies entered various nonbanking activities approved by the Board.

Besides the sensible principles and proved efficacy of the Bank Holding Company Act approach to competition, a relatively efficient administrative framework is already in place. In particular, prior approval from the Federal Reserve is now required for acquisitions by bank holding companies of banks and nonbank firms. Further, the Federal Reserve must assess, among other things, the competitive effects of all acquisitions. This assessment begins with an analysis that focuses on the impact of an acquisition on traditional structural measures such as the concentration ratio and the Herfindahl index. If a particular acquisition proposal raises substantive competitive issues based on purely structural measures, additional factors are taken into account. Most notable among these are (1) the possible competitive influence of nonbank firms, especially thrift institutions, and (2) the importance of potential competition, that is, the likely influence of firms outside the particular market on the pricing behavior of participants in that market. This analytical approach applies to both bank and nonbank acquisitions.

In short, I think that the competition principles that are contained in both the Bank Holding Company Act and the proposed bill have been, and can continue to be, efficiently and effectively applied with established administrative machinery and the application of established economic analysis. There is a track record and it has worked.

Specific Comments on H.R. 5094

Expanded Securities Powers Are Procompetitive

Repeal of the Glass–Steagall Act would increase the number of actual and potential competitors in the investment banking industry. Many of the major bank holding companies have made clear their intentions to quickly take advantage of expanded securities powers, should they be granted; and it is our expectation that more bank holding companies would follow if Glass–Steagall is repealed. For example, many banks and bank holding companies that currently underwrite and deal in municipal general obligations would likely seek additional powers in at least the municipal revenue bond area, and possibly in corporate bonds as well. With banks outside money markets engaging in investment banking, the Board anticipates that local and regional firms would very possibly acquire direct access to capital markets that is similar not only to the access now available to large corporations, but also to that currently available to municipalities whose general obligation bonds are underwritten by local banks.

More generally, the major public benefit of the Glass–Steagall repeal would be lower customer costs and increased availability of investment banking services, both resulting from increased actual and potential competition and from the realization of possible economies of scale and scope from the coordinated provision of commercial and investment banking services. We believe that the repeal of Glass–Steagall would reduce underwriting spreads and therefore lower financing costs to businesses large and small, as well as to state and local governments. In addition, bank holding company participation in dealing currently ineligible securities is likely to provide the benefit of enhanced secondary market liquidity.

Studies of the market structure of investment banking suggest that at least portions of this industry are fairly concentrated. Evidence in this regard was provided in the September 1987 Report of the House Committee on Government Operations, which presented data supporting its conclusion that underwriting of corporate securities is highly concentrated. In 1986, the five largest underwriters of commercial paper accounted for more than 90 percent of the market; the five largest underwriters of all domestic corporate debt accounted for almost 70 percent of the market; and the five largest underwriters of public stock issues accounted for almost 50 percent of the market. Data for 1987 and 1988 indicate that these numbers have remained essentially unchanged.

I would emphasize that these data, while very suggestive, do not necessarily imply that concentration has led to higher consumer costs. The possibility, or potential, that new firms will enter a market may be sufficient to achieve competitive prices. However, it is precisely here that the

Glass–Steagall Act is so troublesome. Bank holding companies, with their existing expertise in many securities activities and their broad financial skills and industry networks, would be the most likely potential competitors of investment banks if not constrained by law.

Repeal of the Glass–Steagall Act is also consistent with technological changes that are occurring in the financial services industry—changes that are inhibiting the ability of banking organizations to be effective competitors both now and in the future. Unless there are compelling public policy reasons to continue the current Glass–Steagall restrictions—and we see none—society will incur unnecessary costs as bank holding companies' specialized resources are repositioned into other activities, not because of bank holding companies' unwillingness to compete or innovate, but simply because of an inflexible statutory and regulatory structure.

The technological changes that I am referring to—and that I and other members of the Board have discussed on many previous occasions—are developments in computer and communications technology that have enabled both borrowers and lenders to more easily and at lower cost obtain and use credit and market risk information. This strikes at the very heart of the value-added of financial intermediation. More specifically, service organizations or investors' own on-line data bases, coupled with powerful computers and wide-ranging telecommunication facilities, can now provide potential investors with virtually the same timely credit and market information that was once available only to the intermediaries. There are numerous examples of new financial products that have resulted from this technological revolution and that challenge traditional bank loans—the explosion in the use of commercial paper, the rapid growth of mortgage-backed securities, and the invention of consumer-receivable-related securities. It seems reasonable to assume that the trend toward direct investor–borrower linkage, or more securitization, will continue.

Bank holding companies, of course, have not ignored these vast changes and, indeed, have responded to the technological revolution by participating in it. However, it is here once again that the Glass–Steagall Act is particularly constraining. The provision of investment banking services, particularly to corporate clients, is at the cutting edge of the information revolution. The ability of banking organizations to hold their competitive position by continuing to operate on the margins of customer services is limited. Unless the Glass–Steagall Act is repealed, the constraints it imposes, along with the continued undermining of the bank franchise by the new technology, are likely to limit the future ability of bank holding companies to contribute to and encourage a competitive and efficient economy.

Some Provisions of the Bill Unnecessarily Inhibit Competition

As I noted in my introductory remarks, the encouragement of competition is not the only objective of Federal Reserve regulatory policy. Other important objectives include a safe and sound banking system, prevention of conflicts of interest, and limiting the federal safety net to insured depositories. These objectives have led us to support locating certain expanded nonbanking activities, including expanded securities powers, in a separate subsidiary of a bank holding company. Successful implementation of this strategy requires the construction and maintenance of effective "fire walls" between a bank and an affiliated securities firm. Thus, we support most of the fire wall provisions of the Depository Institutions Act of 1988.

However, two of the fire wall and securities activities provisions of H.R. 5094 are, in our view, unnecessarily restrictive and would, if implemented, impose competitive costs that exceed any benefits. The first such provision is the exclusion of underwriting and dealing corporate equities from the set of expanded securities activities. In view of the extensive fire walls, particularly those limiting credit transactions and asset sales, insulating affiliate banks and thrift institutions from potential safety and soundness and conflict of interest concerns, we see no reason for an absolute fire wall prohibiting equity activities.

A second place where we believe the proposed bill would unnecessarily inhibit competition is its restrictions on the sharing of similar name, logo, premises, and joint advertising between the securities subsidiary and the affiliated bank or thrift. Restrictions of this type would dilute, and perhaps prevent, some of the cost-saving synergies and economies of scope that are expected from the joint provision of these activities within a bank holding company. The other extensive fire walls contained in the bill, and in the bill passed by the Senate, are sufficient to insulate the bank from risk, to warn investors of the nature of their risk, and to meet safety and soundness concerns in this area.

Besides the securities provisions that I have just discussed, the Board believes that many of the insurance provisions of the proposed bill would unnecessarily restrict competition and thereby raise costs to consumers. The one exception is that part of the bill that permits banks to provide financial guaranty insurance. Since my colleague Governor Heller testified on the insurance provisions before another committee of this House last Friday, I will not dwell on this issue. However, let me emphasize that of particular concern to the Board are the increased restrictions on the ability of banks to engage in insurance agency activities. Insurance agency activities entail little risk, have been engaged in safely by many banks for many years, and their provision by banking organizations is clearly procompetitive. Aside from deposit and loan activities, insurance is the one financial service that virtually all of our citizens use. Generalized bank insurance agency services would reduce insurance costs to the public, and modernize the delivery of a valuable product.

Undue Concentration Provisions

Presumably because of the federal safety net and, therefore, a concern over the potential size of failed institutions, banking is the only industry to which laws explicitly restraining overall, or undue, concentration apply. In addition, these restraints apply *only* to the acquisition of nonbank firms by bank holding companies and do not appear in any of the nation's antitrust laws.

The proposed bill contains specific numerical standards prohibiting the acquisition of a securities firm by a bank holding company. These standards include prohibition of a merger if both parties are among the top 15 in their respective industries, or if the bank holding company and securities firm have total assets greater than $30 billion and $15 billion respectively.

While we recognize that the anxieties underlying inclusion of new undue concentration standards in H.R. 5094 have a lengthy historical tradition, there appears to be little foundation for such anxieties in today's environment. This conclusion is supported by two observations. First, the nonbank financial sector in general remains highly fragmented, in spite of the fact that it is generally much less regulated than banking. Second, the Board's experience in implementing section 4(c)(8) of the Bank Holding Company Act as amended in 1970, which allows bank holding companies to enter nonbanking activities approved by the Board, has not been marked with any general tendency toward increasing overall concentration in the approved activities. Under section 4(c)(8), when considering expanded bank holding company powers, the Board is required to account for possible adverse effects such as undue concentration of resources.

Even a brief examination of the nonbank financial sector illustrates that much of it is highly fragmented. For one thing, while recent years have seen significant blurring of distinctions between commercial and investment banking, the nonbank financial sector in general has tended to remain segmented. For example, different companies have operated in insurance, commercial and consumer finance, and mutual funds. Furthermore, within most of the major nonbank financial services there are a large number of firms, including roughly 2,300 in life insurance underwriting, 3,500 in property and casualty insurance underwriting, 1,700 in commercial and consumer finance, and 650 in mutual funds. Without any significant regulatory standards to inhibit them, market forces have not shown any notable tendency toward undue levels of aggregate concentration in the nonbank financial sector.

Just as the nonbank financial sector in general has remained disaggregated, the activities approved since 1970 by the Board as permissible for bank holding companies have also generally remained unconcentrated. Acquisitions by bank holding companies in most of the 25 nonbanking activities approved by the Board have been modest. Indeed, most of the bank holding companies that entered activities such as underwriting credit life insurance, operating insurance agencies, providing financial advice, and engaging in data processing, have done so on a de novo basis. Such entry is procompetitive and has extremely little effect on overall asset concentration.

In a few activities, including mortgage banking, consumer finance, and factoring, bank holding companies have not only expanded *de novo* but have also expanded significantly by acquisitions subject, of course, to review by the Federal Reserve applying the competition and undue concentration standards of the Bank Holding Company Act. In spite of entry by bank holding companies, mortgage banking and consumer finance remain relatively unconcentrated, bank holding companies have not dominated or taken over these industries, and overall financial sector concentration has not been appreciably increased because of the relatively small size of the acquired nonbank firms and their activities compared to banking. While factoring has become dominated by bank holding companies, because of the small absolute size of factoring in the financial sector, the role of bank holding companies has not materially affected financial concentration in the United States.

In short, based on the experience of bank holding companies in nonbanking activities, the experience of the nonbank financial sector in general, and the apparent effectiveness of current provisions of the Bank Holding Company Act, there seems to be little foundation for concern with the issue of undue concentration of resources. However, we recognize that many people are concerned about this issue, and because we view the reform of Glass–Steagall as having the highest priority, we continue not to oppose the provisions for expanded concentration of resources in the proposed bill.

In closing, the Board believes that the Congress now has a historic opportunity to put the nation's financial system on a sounder footing—perhaps a unique opportunity to make it more competitive, more efficient, more responsive to consumer needs, and equally important, more stable. It would be a major waste of the scarce resources of the Congress and others if all the hard work on this subject of the last year were lost. We urge you in the strongest terms to aid in the passage of legislation to repeal the Glass–Steagall Act and to put in its place a new framework allowing the affiliation of banking organizations and securities firms as provided in the Financial Modernization Act and our suggested revisions to the Depository Institutions Act.

Announcements

Meeting of Consumer Advisory Council

The Federal Reserve Board announced that its Consumer Advisory Council met on October 27–28.

Amendments to Regulation Y

The Federal Reserve Board issued amendments to Regulation Y (Bank Holding Companies and Change in Bank Control) on September 22, 1988, to implement the limitations placed on grandfathered nonbank banks by the Competitive Equality Banking Act of 1987 (CEBA).

CEBA redefined the term "bank" in the Bank Holding Company Act to include any bank whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and to prohibit the formation of new FDIC-insured nonbank banks.

CEBA also contains a grandfather provision that permits a nonbanking company that controlled a nonbank bank on March 5, 1987, to retain the nonbank bank and not be treated as a bank holding company if the company and its subsidiary nonbank bank observe certain limitations.

These limitations generally restrict the ability of nonbank banks to commence new activities or to engage in new cross-marketing activities with affiliates after March 5, 1987; to permit overdrafts by, or incur overdrafts on behalf of, affiliates at a Reserve Bank; and to expand their assets more than 7 percent annually during any 12-month period after August 10, 1988.

Proposed Action

The Federal Reserve Board issued on September 28, 1988, proposed revisions to its official staff commentary to Regulation Z (Truth in Lending) that interprets an amendment, issued December 22, 1987, requiring creditors to provide consumers with more information regarding closed-end adjustable-rate mortgage loans (ARMs) secured by the consumer's principal dwelling.

New Pamphlet Published on Schedule of Availability of Funds

The Federal Reserve Board issued on September 2, 1988, a pamphlet that explains when funds deposited in a bank must be made available for use by a customer under the Expedited Funds Availability Act.

This new act requires all banks, savings and loan associations, savings banks, and credit unions to disclose to their customers their check-hold policy when funds are deposited in checking, share draft, or NOW accounts. It also specifies how quickly deposited funds must be made available for withdrawals.

The pamphlet outlines the availability schedule by type of deposit; names the circumstances when an institution may delay customers' use of their funds beyond the normal limits; states the disclosure requirements; demonstrates endorsement procedures; and provides the consumer with error resolution information.

The pamphlet is available by request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 and from the Federal Reserve Banks.

Changes in Board Staff

The Board announced the following changes in the Division of Research and Statistics:

Jared J. Enzler, Associate Director, resigned, effective September 27, 1988.

Mark N. Greene, Assistant Director, resigned, effective September 30, 1988.

System Membership: Admission of State Banks

The following state banks were admitted to membership in the Federal Reserve System during the period September 1 through September 30, 1988:

Pennsylvania
Philadelphia .... Republic Bank
Virginia
Virginia Beach .... Resource Bank

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON AUGUST 16, 1988

Domestic Policy Directive

The information reviewed at this meeting suggested that the economy was continuing to expand at a vigorous pace, with manufacturing activity exhibiting particular strength. Some measures of price inflation pointed to a pickup from recent trends, and data on wages and total compensation indicated that labor costs were rising more rapidly.

Total nonfarm payroll employment increased sharply further in June and July. The rise included continuing rapid expansion in the manufacturing sector, and it was accompanied by an appreciable increase in the workweek of production workers. After declining considerably in June, the civilian unemployment rate edged up to 5.4 percent in July but remained slightly below its average level for the second quarter.

Industrial production rose strongly in July after a sizable advance during the second quarter. Production gains were widespread but were especially pronounced for business equipment. Capital utilization rates in manufacturing rose further in June and July and were at relatively high levels in primary processing industries.

Retail sales increased moderately further in July, and revised data indicated somewhat higher retail sales in the second quarter than had been estimated earlier. Overall consumer spending in constant dollar terms increased at about the same moderate pace in the second quarter as it had on average in the previous three quarters; outlays for services and durable goods posted strong gains in the quarter, while spending for nondurable goods declined.

Business fixed investment was now indicated to have increased substantially further in the second quarter. Spending for business equipment registered another sharp rise, paced by continued large gains in outlays for computing equipment. An upturn in expenditures for nonresidential construction offset about half of the drop in the previous quarter. With outlays for consumer durables and business equipment relatively robust, the accumulation of nonfarm business inventories slowed markedly in the second quarter. Housing starts were unchanged in the quarter from their pace in the first quarter.

The U.S. merchandise trade deficit declined considerably in the second quarter to its lowest level in three years. Exports of both agricultural and nonagricultural goods rose substantially while non-oil imports fell after increasing steadily since early 1985. Economic activity appeared to have slowed in most of the major foreign industrial countries in the second quarter. The rate of inflation had increased in some of those countries in recent months, but it was still relatively low.

Producer prices of finished goods, which had increased at an accelerated pace in the second quarter, rose appreciably further in July. The advance in July included a substantial rise in prices of consumer goods excluding food and energy. The consumer price index, available for June, continued to suggest little change in the rate of consumer price inflation as declines in energy prices tended to offset some acceleration in food and other prices. The prices of some basic commodities had softened recently, in part because of the appreciation of the dollar in foreign exchange markets. Increases in most measures of labor costs had picked up over the past several months, with the acceleration occurring in most broad industry and occupational groupings.

In the foreign exchange markets, the dollar rose somewhat further over the period since the Committee meeting on June 29–30. In relation to other G-10 currencies, the dollar was up about

2½ percent on average over the intermeeting period. Indications of continuing improvement in the U.S. trade balance and of some tightening in U.S. monetary conditions contributed to the strength of the dollar, but the rise in its exchange value may have been tempered by perceptions that it would be resisted by official actions.

At its meeting in late June, the Committee adopted a directive calling for a slight increase in the degree of pressure on reserve positions. These reserve conditions were expected to be consistent with growth of M2 and M3 at annual rates of about 5½ percent and 7 percent respectively over the period from June to September. The members agreed that somewhat greater reserve restraint would, or slightly lesser reserve restraint might, be acceptable depending on indications of inflationary pressures, the strength of the business expansion, developments in foreign exchange and domestic financial markets, and the behavior of the monetary aggregates. The intermeeting range for the federal funds rate was left unchanged at 5 to 9 percent.

Some slight firming of reserve conditions was implemented immediately after the June meeting. In the reserve maintenance period ending in mid-July, adjustment plus seasonal borrowings jumped to an average of $1.3 billion, reflecting a surge in borrowings over the extended July 4 weekend and another bulge associated with an unanticipated large upward revision in required reserves late in that maintenance period. In the two reserve maintenance periods that followed, borrowings averaged close to $600 million, somewhat above the level prior to the June meeting. Over much of the intermeeting period, federal funds traded primarily in a range of 7¾ percent to 7⅞ percent. In addition to the firming of reserve conditions, market expectations of further near-term monetary restraint in response to the strength of incoming economic data seemed to contribute to the rise in the federal funds rate from its average level in June. On August 9, the discount rate was increased from 6 percent to 6½ percent and at the time of this meeting federal funds were trading around 8⅛ percent.

Against the background of continuing strength in the economy, related concerns about inflation, and the firming of monetary policy, most other interest rates rose ½ to ¾ percentage point over the intermeeting period; however, increases in yields on corporate and municipal bonds were more limited, reflecting reduced supplies of new issues. Mortgage rates rose marginally during the period. Banks raised their prime lending rate from 9 to 9½ percent in mid-July and subsequently to 10 percent in the first part of August. Broad indexes of stock prices were down around 5 percent over the intermeeting period.

Growth of the broader monetary aggregates, especially M2, slowed in July to rates somewhat below the Committee's expectations for the third quarter as a whole. The weakness in M2 was concentrated in its volatile overnight RP and Eurodollar components. Growth of retail deposits in M2 remained considerably less than in the first few months of the year and apparently was damped by the rise since early spring of market interest rates and related opportunity costs of holding such deposits. M1 continued to expand rapidly in July, with strength especially evident in other checkable deposits. Reflecting a surge in total reserves, the growth of the monetary base accelerated in July.

In the light of recent economic developments, the staff projection prepared for this meeting was revised to incorporate notably faster real growth in the current quarter than had been anticipated earlier. Nevertheless, the rate of expansion was still projected to moderate considerably on balance over the next several quarters. The effects of the drought were expected to depress measured GNP growth in the second half of the year, but those effects would be reversed in the first part of 1989. Growth of final demand was projected to moderate somewhat over the year ahead. To the extent that the current momentum in final demand tended to be sustained but was not accommodated by monetary policy, pressures would be generated in financial markets that would restrain domestic spending. The staff projection continued to anticipate relatively sluggish growth of consumer spending, much slower expansion of business fixed investment, and subdued housing activity. The strengthening of the dollar since late spring might inhibit the improvement in the nation's trade balance to some extent in 1989, but continuing progress in reducing the trade deficit was still expected to provide a key impetus to sustained economic expansion. The rate of inflation was projected by the staff to increase somewhat over the next several quarters, to an important extent because of the effects of reduced margins of unutilized labor and other production resources.

In the Committee's discussion of the economic situation and outlook, a number of members gave considerable emphasis to indications of ongoing strength in the economic expansion and to the implications of such growth for inflation in the context of relatively full utilization of labor and capital resources. Some commented that the surprises in the incoming economic information over the course of recent weeks—indeed for the year 1988 to date—had tended to be on the side of greater than projected strength. Other members gave more weight to the possibility that monetary tightening over previous months—reflected in reduced growth of the monetary aggregates, higher interest and exchange rates, and flat commodity prices—might already have fostered a significant slowing of the expansion and restraint on inflation. The members generally anticipated at least some moderation in the expansion from the recent pace and viewed slower growth as a desirable development in terms of accommodating long-run anti-inflation objectives, but they differed as to what degree of policy restraint might be needed to achieve a sustainable and noninflationary rate of economic expansion.

In their assessment of prospective developments in key sectors of the economy, a number of members focused on business fixed investment and business inventory accumulation as areas of particular uncertainty. Growth in business capital spending was expected to slow substantially from its rapid pace earlier this year, but a number of members believed that the risks of a different outcome were in the direction of unanticipated strength, particularly in light of exceptionally high rates of capacity utilization in many industries. Tending to support that view were a growing number of reports from business contacts of plans to expand or modernize production facilities. Business inventories currently appeared to be at generally acceptable levels, as evidenced by inventory-to-sales ratios, lead times on deliveries, and reports from many business firms around the country. Nonetheless, a surge in inventory accumulation could not be ruled out at this stage of the cyclical expansion. Under prevailing economic conditions, such a development might well add to inflationary demand pressures and could threaten the sustainability of the business expansion itself.

Views with respect to the outlook for consumer spending differed to some extent, but the members generally anticipated relatively limited growth over the next several quarters. One factor cited was the impact of higher interest rates, whose restraining effects on consumer spending might be reflected more quickly than earlier because of the increased use of variable rates on consumer and mortgage loans. Some members commented that relatively slow growth of consumer expenditures would be desirable not only to curb potentially inflationary expansion of overall final demand but to facilitate the allocation of more production resources to export markets. The rise in mortgage interest rates was expected to damp housing activity, and one member emphasized that this effect might be quite substantial.

With regard to the prospects for foreign trade, the members still expected net exports to continue to improve, but the extent of that improvement might be less than previously anticipated, given the appreciation of the dollar in recent months. Indeed, some business contacts competing in international markets or preparing to enter such markets were already expressing concern about the potentially negative impact that the rise in the dollar would have on their sales.

Turning to the outlook for inflation, members noted with particular concern that labor compensation costs were rising at a faster rate this year. Several commented on increasing shortages of workers in their local and regional markets and on more numerous reports of higher wages to attract or retain workers. However, wage inflation did not appear to be worsening in many areas, including some where available workers were reported to be in increasingly short supply. With regard to price developments, recent statistical indicators presented a mixed picture. Producer prices of finished goods were rising more rapidly, and there were reports from some parts of the country that business firms were succeeding to a greater extent than earlier in their efforts to pass on rising costs or to raise profit margins. On the other hand, sensitive commodity prices, particularly for industrial materials, had been fairly steady and a firmer dollar should relieve some of the pressure on import prices. On balance, however, most of the members thought that the risks were on the side of greater inflation over the quarters ahead.

At its meeting in late June, the Committee reviewed the basic policy objectives that it had set for growth of the monetary and debt aggregates in 1988 and established tentative objectives for expansion of those aggregates in 1989. For the period from the fourth quarter of 1987 to the fourth quarter of 1988, the Committee reaffirmed the ranges of 4 to 8 percent established in February for growth of both M2 and M3. The monitoring range for expansion of total domestic nonfinancial debt was left unchanged at 7 to 11 percent for 1988. On a cumulative basis through July, M2 and M3 grew at annual rates a little above the midpoints of their annual ranges. Expansion of total domestic nonfinancial debt appeared to have moderated to a pace marginally below the midpoint of its range. For 1989 the Committee agreed on tentative reductions to ranges of 3 to 7 percent for M2 and 3½ to 7½ percent for M3. The monitoring range for growth of total domestic nonfinancial debt was reduced to 6½ to 10½ percent for 1989. It was understood that all the ranges for next year were provisional and that they would be reviewed in February 1989 in the light of intervening developments. With respect to M1, the Committee reaffirmed in June its earlier decision not to set a specific target for growth in 1988 and also decided not to establish a tentative range for 1989.

During the Committee's discussion of policy for the intermeeting period ahead, nearly all the members indicated that they preferred or could support a directive to maintain unchanged conditions of reserve availability. In assessing the desirability of such a policy, members noted that the discount rate had been raised only recently and, to date, financial markets did not appear to have adjusted fully to the increase. In the circumstances, several members expressed concern that further tightening at this time through open market operations might have unintended and unsettling effects on financial markets. Moreover, under prevailing circumstances, further firming might well foster some added strengthening of the dollar in foreign exchange markets with undesirable repercussions over time on progress in improving the nation's foreign trade position. One member also noted that further tightening so soon after the increase in the discount rate would add to pressures for firmer monetary policies abroad and thereby heighten the risks of an upward ratcheting of interest rates in financial markets around the world.

While the members generally agreed on the desirability of a steady policy for the near term, many thought that some further firming was likely to be needed, perhaps relatively soon. These members saw substantial risks that inflationary pressures would intensify in the absence of further fiscal and monetary restraint. The economy had considerable momentum, and there already were indications that cost pressures and some prices were increasing more rapidly. In light of their concerns, these members favored a directive that would permit operations during the intermeeting period to be adjusted more readily toward further tightening if incoming information tended to confirm the potential that they saw for increasing inflationary pressures. While most of these members did not rule out the possibility of some easing, one proposed a directive that did not envisage any move in that direction during the intermeeting period.

Other members, while they could accept a directive that indicated a greater willingness to tighten than to ease reserve conditions, were less certain of the potential need for further monetary restraint, especially in the near term. These members emphasized that, when taken together, the tightening actions over the past several months represented, in their judgment, a major policy move whose restraining impact was not yet fully reflected in the economy. In this view, time was needed to observe the effects of the earlier policy actions and thus to reduce the risk that monetary policy inadvertently might become too restrictive. Also, a cautious approach to further tightening might be appropriate in light of the fragilities that had developed in the economy, including the vulnerability of many financial intermediaries and the exposure of many business and household borrowers and of some foreign debtor countries to rising interest rates. Other members, while not disagreeing that debtor problems were a matter of serious concern, nevertheless felt that primary emphasis needed to be placed on curbing any tendency for inflation to gather momentum; such a development, if allowed to proceed, would lead to even higher interest rates and more severe damage to exposed, interest-sensitive borrowers, both in the United States and abroad.

In the discussion of factors that might trigger future monetary policy actions, a number of members felt that the behavior of the monetary aggregates should be given more weight, although only a few favored giving primary emphasis to these measures. According to a staff analysis prepared for this meeting, growth of both M2 and M3 was likely to be appreciably slower in the current quarter than had been anticipated at the time of the previous meeting, given the rise in interest rates that had occurred over the intermeeting period. Assuming no further increase in interest rates, the cumulative expansion of M2 through September might be around the midpoint of the Committee's range for the year while that of M3 might be only marginally above the midpoint of its range. Growth of M1 also was expected to slow substantially from its relatively rapid rates of expansion in June and July. Members who wanted to give the monetary aggregates greater attention expressed satisfaction that monetary growth appeared to have slowed to a pace deemed more consistent with progress in reducing inflationary pressures and a sustainable expansion in economic activity over time. They also observed that the behavior of M2 had resumed a more predictable pattern over the past several quarters in relation to aggregate measures of economic performance. However, several members expressed the reservation that more time was needed to assess the ongoing reliability of M2 as a guide for the conduct of monetary policy. A number commented that the major focus in policy implementation should continue to be on incoming indications of inflationary pressures in the economy.

In light of the increase that had occurred in the federal funds rate, including the recent rise following the advance in the discount rate, the members accepted a proposal to raise the intermeeting range for the federal funds rate by 1 percentage point to a range of 6 to 10 percent. The upward adjustment in the range was intended to align its midpoint more closely with the current average level of the federal funds rate. The range for the federal funds rate provides one mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded.

At the conclusion of the Committee's discussion, all but one member indicated that they favored or could accept a directive that called for maintaining the current degree of pressure on reserve positions. The members decided that somewhat greater reserve restraint would be acceptable, or slightly lesser reserve restraint might be acceptable, over the intermeeting period depending on indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated by the Committee were expected to be consistent with growth of M2 and M3 at annual rates of around 3½ percent and 5½ percent respectively over the three-month period from June to September. The intermeeting range for the federal funds rate was raised by 1 percentage point to a range of 6 to 10 percent.

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

The information reviewed at this meeting suggests that economic activity has continued to expand at a vigorous pace. Total nonfarm payroll employment grew sharply further in June and July. The civilian unemployment rate in July, at 5.4 percent, was slightly below its average level in the second quarter. Industrial production advanced considerably further in July. Growth in retail sales remained moderate last month. Business capital spending has continued to grow rapidly. Some measures of prices indicate a pickup from recent trends and labor costs have risen more rapidly in recent months.

Most interest rates have increased appreciably since the Committee's meeting on June 29–30. On August 9 the Federal Reserve Board approved an increase in the discount rate from 6 to 6½ percent.

The nominal U.S. merchandise trade deficit fell in the second quarter as exports continued to rise and non-oil imports declined. Over the intermeeting period, the trade-weighted foreign exchange value of the dollar appreciated somewhat further in terms of the other G-10 currencies.

Expansion of M2 and to a lesser extent M3 slowed in July but growth of M1 remained relatively strong. From a fourth-quarter base through July, M2 and M3 have grown at rates somewhat above the midpoints of the ranges established by the Committee for 1988. Expansion in total domestic nonfinancial debt for the year thus far appears to be at a pace somewhat below that in 1987.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives, the Committee at its meeting in late June reaffirmed the ranges it had established in February for growth of 4 to 8 percent for both M2 and M3, measured from the fourth quarter of 1987 to the fourth quarter of 1988. The monitoring range for growth in total domestic nonfinancial debt was also maintained at 7 to 11 percent for the year.

For 1989, the Committee agreed on tentative ranges for monetary growth, measured from the fourth quarter of 1988 to the fourth quarter of 1989, of 3 to 7 percent for M2 and 3½ to 7½ percent for M3. The Committee set the associated monitoring range for growth in total domestic nonfinancial debt at 6½ to 10½ percent. It was understood that all these ranges were provisional and that they would be reviewed in early 1989 in the light of intervening developments.

With respect to M1, the Committee reaffirmed its decision in February not to establish a specific target for 1988 and also decided not to set a tentative range for 1989. The behavior of this aggregate will continue to be evaluated in the light of movements in its velocity, developments in the economy and financial markets, and the nature of emerging price pressures.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. Taking account of indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, somewhat greater reserve restraint would, or slightly lesser reserve restraint might, be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth in M2 and M3 over the period from June through September at annual rates of about 3½ and 5½ percent, respectively. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 6 to 10 percent.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Black, Forrestal, Heller, Johnson, LaWare, Parry, and Ms. Seger. Vote against this action: Mr. Hoskins. Absent and not voting: Mr. Kelley.

President Hoskins dissented because he preferred a policy that would give less emphasis to near-term business conditions and exchange rate considerations and greater emphasis to the longer-term objective of price stability. He viewed the current rate of inflation as too high relative to that objective and believed that the strength of final demand and associated pressures on costs in the economy suggested that inflation may be heading higher. In the circumstances, he thought further monetary restraint would be more consistent with the Committee's long-run price stability objective and would increase market confidence in the eventual achievement of that objective.

Legal Developments

Amendment to Regulation Y

The Board of Governors is amending 12 C.F.R. Part 225, its Regulation Y (Limitations on Nonbank Banks), to implement provisions of the Competitive Equality Banking Act of 1987 ("CEBA") (Pub. L. No. 100–86), relating to so-called nonbank banks. CEBA amended the definition of "bank" in the Bank Holding Company Act (the "BHC Act" or the "Act") to include certain banking institutions that had previously been outside that definition (so called "nonbank banks"). CEBA also contained a grandfather provision that permitted nonbanking companies that controlled nonbank banks as of March 5, 1987, to retain control of the institution and not be treated as a bank holding company for purposes of the BHC Act if the company and its subsidiary nonbank bank observe certain restrictions. These limitations generally restrict nonbank banks from commencing new activities or certain cross-marketing programs with affiliates after March 5, 1987, increasing their assets at an annual rate of more than 7 percent during any 12-month period commencing after August 10, 1988, or permitting overdrafts by affiliates or incurring overdrafts on behalf of affiliates at a Federal Reserve Bank. 12 U.S.C. 1843(f)(2) and (3).

To implement these limitations, the rules and interpretation:

(1) discuss how the term "activity" will be applied;
(2) clarify the scope of the cross-marketing limitation;
(3) describe how compliance with the 7 percent annual asset growth rate will be determined; and
(4) define the restrictions on overdrafts.

This rule also amends the definition of "bank" in Regulation Y to reflect the changes in that definition made by CEBA.

Effective September 28, 1988, except for section 225.52 which will be effective January 1, 1989, and section 225.145, which will be effective October 28, 1988, 12 C.F.R. Part 225 is amended as follows:

Part 225—Bank Holding Companies and Change in Bank Control

1. The authority citation for Part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1843(c)(8), 1844(b), 3106, 3108, 3907 and 3909.

2. In section 225.2 paragraphs (a) through (f) and (g) through (l) are redesignated as paragraphs (b) through (g) and (i) through (n) respectively; new paragraphs (a) and (h) are added; and newly redesignated paragraph (b) is revised to read as follows:

Section 225.2—Definitions.

* * * * *

(a) "Affiliate" means any company that controls, is controlled by, or is under common control with, a bank or nonbank bank.

(b) (1) "Bank" means:
(i) an insured bank as defined in section 3(h) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(h)); or
(ii) an institution organized under the laws of the United States which both:
(A) accepts demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others; and
(B) is engaged in the business of making commercial loans.
(2) "Bank" does not include those institutions qualifying under the exceptions listed in section 2(c)(2) of the BHC Act (12 U.S.C. 1841(c)(2)).

* * * * *

(h) "Nonbank bank" means any institution that:
(1) became a bank as a result of enactment of the Competitive Equality Amendments of 1987 (Pub. L. No. 100–86), on the date of such enactment (August 10, 1987); and
(2) was not controlled by a bank holding company on the day before the enactment of the Competitive Equality Amendments of 1987 (August 9, 1987).

* * * * *

3. The heading "Appendices to Subparts A through E" is revised to read "Appendices to Subparts". Subpart F, consisting of sections 225.51 and 225.52, is added immediately following Subpart E to read as follows:

Subpart F—Limitations on Nonbank Banks

Section 225.51 Seven percent growth limit for nonbank banks.
Section 225.52 Limitation on overdrafts.

Subpart F—Limitations on Nonbank Banks.

Section 225.51—Seven percent growth limit for nonbank banks.

(a) *Period for determining compliance.* A nonbank bank's annual rate of asset growth for purposes of paragraph (b) shall be determined for twelve-month periods that begin on October 1 of each year and end on September 30 of the following year, unless the bank elects to use the alternative method described in paragraph (c). The initial 12-month period shall commence on October 1, 1988, and expire on September 30, 1989, unless the Board establishes a different period pursuant to paragraph (d).

(b) *Computing annual rate of asset growth.*

(1) *Initial 12-month period.* For the initial 12-month period beginning on October 1, 1988, the average of the nonbank bank's Total Assets as reported on Schedule RC-K of its Report of Condition for the four quarters during this period may not increase by more than 7 percent of the nonbank bank's initial base. The nonbank bank may determine its initial base under any of the following methods:

(i) its Total Assets as reported on Schedule RC-K of its Report of Condition for the quarter ending September 30, 1988, divided by 1.601; or

(ii) its total assets on August 10, 1988, divided by 1.567, unless the Board determines pursuant to paragraph (d) that such amount may not be used; or

(iii) the average of its Total Assets as reported on Schedule RC-K of its Report of Condition for the fourth quarter of 1987 and the first three quarters of 1988.

(2) *Succeeding 12-month periods.* For each 12-month period after the initial period, the average of the nonbank bank's Total Assets as reported on Schedule RC-K of its Report of Condition for the four quarters during that period may not increase by more than 7 percent of the average of its Total Assets as reported on Schedule RC-K of its Report of Condition for the four quarters in the preceding 12-month period.

(c) *Alternative method to compute annual rate of asset growth.*

(1) *Quarterly Measurement Permitted.* In lieu of the methods for measuring compliance with the asset growth rate described in paragraph (b), a nonbank bank may elect to have its compliance with the growth rate determined in the following manner: its Total Assets as reported on Schedule RC-K of its Report of Condition for each quarter ending after August 10, 1989, may not increase by more than 7 percent of its Total Assets as reported on Schedule RC-K of its Report of Condition for the same quarter of the previous year.

(2) *Initial Quarter.* In measuring compliance with the growth rate under paragraph (c)(1) for the third quarter of 1989, the nonbank bank may elect to use its assets on August 10, 1988, as the base rather than the Total Assets for the third quarter of 1988 as reported on Schedule RC-K of its Report of Condition.

(3) *Notice Required.* A nonbank bank electing to compute its asset growth pursuant to this paragraph shall notify the Board by October 15, 1988, of this election. The nonbank bank may not thereafter alter its election.

(d) *Determination of total assets on August 10, 1988.* If the Board determines that a nonbank bank has engaged in transactions that have artificially inflated its total assets on August 10, 1988, and that are unrelated to its normal business activities, the Board may require that —

(1) the nonbank exclude such amounts in calculating its total assets on August 10, 1988, for purposes of paragraph (b)(1)(ii); or

(2) the initial 12-month period for determining compliance with the 7 percent growth rate shall commence on a date later than August 10, 1988, and the institution's total assets on that later date shall be used instead of the bank's total assets on August 10, 1988, for purposes of measuring compliance with the 7 percent growth rate under paragraph (b)(1).

(e) *Required reports.*

(1) A nonbank bank shall file with the Board by October 15, 1988, a statement indicating the method it has elected to compute its initial base for purposes of paragraph (b)(1).

(2) A nonbank bank electing to use its actual total assets on August 10, 1988, as its initial base for purposes of paragraph (b)(1), shall report that figure to the Board by October 15, 1988, and the nonbank bank's Total Assets for the third calendar quarter of

1988 as required to be reported on Schedule RC-K of its Report of Condition for that quarter.

Section 225.52—Limitation on Overdrafts.

(a) *Definitions*. For purposes of this section —

(1) "Account" means a reserve account, clearing account, or deposit account as defined in the Board's Regulation D (12 C.F.R. 204.2(a)(1)(i)), that is maintained at a Federal Reserve Bank or nonbank bank.

(2) "Cash item" means

(i) a check other than a check classified as a noncash item; or

(ii) any other item payable on demand and collectible at par that the Federal Reserve Bank of the district in which the item is payable is willing to accept as a cash item.

(3) "Discount window loan" means any credit extended by a Federal Reserve Bank to a nonbank bank or industrial bank pursuant to the provisions of the Board's Regulation A (12 C.F.R. Part 201).

(4) "Industrial bank" means an institution as defined in section 2(c)(2)(H) of the BHC Act (12 U.S.C. § 1841(c)(2)(H)).

(5) "Noncash item" means an item handled by a Reserve Bank as a noncash item under the Reserve Bank's "Collection of Noncash Items Operating Circular"(*e.g.*, a maturing bankers' acceptance or a maturing security, or a demand item, such as a check, with special instructions or an item that has not been preprinted or post-encoded).

(6) "Other nonelectronic transactions" include all other transactions not included as funds transfers, book-entry securities transfers, cash items, noncash items, automated clearing house transactions, net settlement entries, and discount window loans (*e.g.*, original issue of securities or redemption of securities).

(7) An "overdraft" in an account occurs whenever the Federal Reserve Bank, nonbank bank, or industrial bank holding an account posts a transaction to the account of the nonbank bank, industrial bank, or affiliate that exceeds the aggregate balance of the accounts of the nonbank bank, industrial bank, or affiliate, as determined by the posting rules set forth in paragraphs (d) and (e) of this section and continues until the aggregate balance of the account is zero or greater.

(8) "Transfer item" means an item as defined in Subpart B of Regulation J (12 C.F.R. 210.25 *et seq*).

(b) *Restriction on overdrafts*.

(1) *Affiliates*. Neither a nonbank bank nor an industrial bank shall permit any affiliate to incur any overdraft in its account with the nonbank bank or industrial bank.

(2) *Nonbank banks or industrial banks*.

(i) No nonbank bank or industrial bank shall incur any overdraft in its account at a Federal Reserve Bank on behalf of an affiliate.

(ii) An overdraft by a nonbank bank or industrial bank in its account at a Federal Reserve Bank shall be deemed to be on behalf of an affiliate whenever:

(A) a nonbank bank or industrial bank holds an account for an affiliate from which third-party payments can be made; and

(B) when the posting of an affiliate's transaction to the nonbank bank's or industrial bank's account at a Reserve Bank creates an overdraft in its account at a Federal Reserve Bank or increases the amount of an existing overdraft in its account at a Federal Reserve Bank.

(c) *Permissible overdrafts*. The following are permissible overdrafts not subject to paragraph (b):

(1) *Inadvertent error*. An overdraft in its account by a nonbank bank or its affiliate, or an industrial bank or its affiliate, that results from an inadvertent computer error or inadvertent accounting error, that was not reasonably forseeable or could not have been prevented through the maintenance of procedures reasonably adopted by the nonbank bank or affiliate to avoid such overdraft; and

(2) *Fully secured primary dealer affiliate overdrafts*.

(i) An overdraft incurred by an affiliate of a nonbank bank, which affiliate is recognized as a primary dealer by the Federal Reserve Bank of New York, in the affiliate's account at the nonbank bank, or an overdraft incurred by a nonbank bank on behalf of its primary dealer affiliate in the nonbank bank's account at a Federal Reserve Bank; *provided*: the overdraft is fully secured by bonds, notes, or other obligations which are direct obligations of the United States or on which the principal and interest are fully guaranteed by the United States or by securities and obligations eligible for settlement on the Federal Reserve book-entry system.

(ii) An overdraft by a nonbank bank in its account at a Federal Reserve Bank that is on behalf of a primary dealer affiliate is fully secured when that portion of its overdraft at the Federal Reserve Bank that corresponds to the transaction posted for an affiliate that caused or increased the nonbank bank's overdraft is fully secured in accordance with paragraph (c)(2)(iii).

(iii) An overdraft is fully secured under paragraph (c)(2)(i) when the nonbank bank can demonstrate that the overdraft is secured, at all times, by a perfected security interest in specific, identified obligations described in paragraph (c)(2)(i) with a market value that, in the judgment of the Reserve Bank holding the nonbank bank's account, is sufficiently in excess of the amount of the overdraft to provide a margin of protection in a volatile market or in the event the securities need to be liquidated quickly.

(d) *Posting by Federal Reserve Banks.* For purposes of determining the balance of an account under this section, payments and transfers by nonbank banks and industrial banks processed by the Federal Reserve Banks shall be considered posted to their accounts at Federal Reserve Banks as follows:

(1) *Funds transfers.* Transfer items shall be posted:

(i) to the transferor's account at the time the transfer is actually made by the transferor's Federal Reserve Bank; and

(ii) to the transferee's account at the time the transferee's Reserve Bank sends the transfer item or sends or telephones the advice of credit for the item to the transferee, whichever occurs first.

(2) *Book-entry securities transfers against payment.* A book-entry securities transfer against payment shall be posted:

(i) to the transferor's account at the time the entry is made by the transferor's Reserve Bank; and

(ii) to the transferee's account at the time the entry is made by the transferee's Reserve Bank.

(3) *Discount window loans.* Credit for a discount window loan shall be posted to the account of a nonbank bank or industrial bank at the close of business on the day that it is made or such earlier time as may be specifically agreed to by the Federal Reserve Bank and the nonbank bank under the terms of the loan. Debit for repayment of a discount window loan shall be posted to the account of the nonbank bank or industrial bank as of the close of business on the day of maturity of the loan or such earlier time as may be agreed to by the Federal Reserve Bank and the nonbank bank or required by the Federal Reserve Bank under the terms of the loan.

(4) *Other transactions.* Total aggregate credits for automated clearing house transfers, cash items, noncash items, net settlement entries, and other nonelectronic transactions shall be posted to the account of a nonbank bank or industrial bank as of the opening of business on settlement day. Total aggregate debits for these transactions and entries shall be posted to the account of a nonbank bank or industrial bank as of the close of business on settlement day.

(e) *Posting by nonbank banks and industrial banks.* For purposes of determining the balance of an affiliate's account under this section, payments and transfers through an affiliate's account at a nonbank bank or industrial bank shall be posted as follows:

(1) *Funds transfers.*

(i) Fedwire transfer items shall be posted:

(A) to the transferor affiliate's account no later than the time the transfer is actually made by the transferor's Federal Reserve Bank; and

(B) to the transferee affiliate's account no earlier than the time the transferee's Reserve Bank sends the transfer item, or sends or telephones the advice of credit for the item to the transferee, whichever occurs first.

(ii) For funds transfers not sent or received through Federal Reserve Banks, debits shall be posted to the transferor affiliate's account not later than the time the nonbank bank or industrial bank becomes obligated on the transfer. Credits shall not be posted to the transferee affiliate's account before the nonbank bank or industrial bank has received actually and finally collected funds for the transfer.

(2) *Book-entry securities transfers against payment.*

(i) A book-entry securities transfer against payment shall be posted:

(A) to the transferor affiliate's account not earlier than the time the entry is made by the transferor's Reserve Bank; and

(B) to the transferee affiliate's account not later than the time the entry is made by the transferee's Reserve Bank.

(ii) For book-entry securities transfers against payment that are not sent or received through Federal Reserve Banks, entries shall be posted:

(A) to the buyer-affiliate's account not later than the time the nonbank bank or industrial bank becomes obligated on the transfer; and

(B) to the seller-affiliate's account not before the nonbank bank or industrial bank has received actually and finally collected funds for the transfer.

(3) *Other transactions.*

(i) *Credits.* Except as otherwise provided in this paragraph, credits for cash items, noncash items, ACH transfers, net settlement entries, and all other nonelectronic transactions shall be posted to an affiliate's account on the day of the transaction (*i.e.*, settlement day for ACH transactions or the day of credit for check transactions), but no earlier than the Federal Reserve Bank's opening of business on that day. Credit for cash items that are required by federal or state statute or regulation to be made available to the depositor for withdrawal prior to the posting time set forth in the preceding paragraph shall be posted as of the required availability time.

(ii) *Debits*. Debits for cash items, noncash items, ACH transfers, net settlement entries, and all other nonelectronic transactions shall be posted to an affiliate's account on the day of the transaction (*e.g.*, settlement day for ACH transactions or the day of presentment for check transactions), but no later than the Federal Reserve Bank's close of business on that day. If a check drawn on an affiliate's account or an ACH debit transfer received by an affiliate is returned timely by the nonbank bank or industrial bank in accordance with applicable law and agreements, no entry need be posted to the affiliate's account for such item.

4. Section 225.145 is added to read as follows:

Section 225.145—Limitations Established by the Competitive Equality Banking Act of 1987 on the Activities and Growth of Nonbank Banks.

(a) *Introduction*. Effective August 10, 1987, the Competitive Equality Banking Act of 1987 ("CEBA") redefined the term "bank" in the Bank Holding Company Act ("BHC Act" or "Act") to include any bank the deposits of which are insured by the Federal Deposit Insurance Corporation as well as any other institution that accepts demand or checkable deposit accounts and is engaged in the business of making commercial loans. 12 U.S.C. § 1841(c). CEBA also contained a grandfather provision for certain companies affected by this redefinition. CEBA amended section 4 of the BHC Act to permit a company that on March 5, 1987, controlled a nonbank bank (an institution that became a bank as a result of enactment of CEBA) and that was not a bank holding company on August 9, 1987, to retain its nonbank bank and not be treated as a bank holding company for purposes of the BHC Act if the company and its subsidiary nonbank bank observe certain limitations imposed by CEBA.[1] Certain of these limitations are codified in section 4(f)(3) of the BHC Act and generally restrict nonbank banks from commencing new activities or certain cross-marketing activities with affiliates after March 5, 1987, increasing their assets at an annual rate exceeding 7 percent during any 12 month period after August 10, 1988, or permitting overdrafts for affiliates or incurring overdrafts on behalf of affiliates at a Federal Reserve Bank. 12 U.S.C. 1843(f)(3).[2] The Board's views regarding the meaning and scope of these limitations are set forth below and in provisions of the Board's Regulation Y (12 C.F.R. §§ 225.51 and 52).

(b) *Congressional Findings*.

(1) At the outset, the Board notes that the scope and application of the Act's limitations on nonbank banks must be guided by the Congressional findings set out in section 4(f)(3) of the BHC Act. Congress was aware that these nonbank banks had been acquired by companies that engage in a wide range of nonbanking activities, such as retailing and general securities activities that are forbidden to bank holding companies under section 4 of the BHC Act. In section 4(f)(3), Congress found that nonbank banks controlled by grandfathered nonbanking companies may, because of their relationships with affiliates, be involved in conflicts of interest, concentration of resources, or other effects adverse to bank safety and soundness. Congress also found that nonbank banks may be able to compete unfairly against banks controlled by bank holding companies by combining banking services with financial services not permissible for bank holding companies. Section 4(f)(3) states that the purpose of the nonbank bank limitations is to minimize any such potential adverse effects or inequities by restricting the activities of nonbank banks until further Congressional action in the area of bank powers could be undertaken. Similarly, the Senate Report accompanying CEBA states that the restrictions CEBA places on nonbank banks "will help prevent existing nonbank banks from changing their basic character . . . while Congress considers proposals for comprehensive legislation; from drastically eroding the separation of banking and commerce; and from increasing the potential for unfair competition, conflicts of interest, undue concentration of resources, and other adverse effects." S. Rep. No. 100–19, 100th Cong., 1st Sess. 12 (1987). *See also* H. Rep. No. 100–261, 100th Cong., 1st Sess. 124 (1987) (the "Conference Report").

(2) Thus, Congress explicitly recognized in the statute itself that nonbanking companies controlling grandfathered nonbank banks, which include the many of the nation's largest commercial and finan-

1. 12 U.S.C. 1843(f). Such a company is treated as a bank holding company, however, for purposes of the anti-tying provisions in section 106 of the BHC Act Amendments of 1970 (12 U.S.C. § 1971 *et seq.*) and the insider lending limitations of section 22(h) of the Federal Reserve Act (12 U.S.C. § 375b). The company is also subject to certain examination and enforcement provisions to assure compliance with CEBA.

2. CEBA also prohibits, with certain limited exceptions, a company controlling a grandfathered nonbank bank from acquiring control of an additional bank or thrift institution or acquiring, directly or indirectly after March 5, 1987, more than 5 percent of the assets or shares of a bank or thrift institution. 12 U.S.C. § 1843(f)(2).

cial organizations, were being accorded a significant competitive advantage that could not be matched by bank holding companies because of the general prohibition against nonbanking activities in section 4 of the BHC Act. Congress recognized that this inequality in regulatory approach could inflict serious competitive harm on regulated bank holding companies as the grandfathered entities sought to exploit potential synergies between banking and commercial products and services. *See* Conference Report at 125–126. The basic and stated purpose of the restrictions on grandfathered nonbank banks is to minimize these potential anticompetitive effects.
(3) The Board believes that the specific CEBA limitations should be implemented in light of these Congressional findings and the legislative intent reflected in the plain meaning of the terms used in the statute. In those instances when the language of the statute did not provide clear guidance, legislative materials and the Congressional intent manifested in the overall statutory structure were considered. The Board also notes that prior precedent requires that grandfather exceptions in the BHC Act, such as the nonbank bank limitations and particularly the exceptions thereto, are to be interpreted narrowly in order to ensure the proper implementation of Congressional intent.[3]

(c) *Activity Limitation.*

(1) *Scope of "Activity".*

(i) The first limitation established under section 4(f)(3) provides that a nonbank bank shall not "engage in any activity in which such bank was not lawfully engaged as of March 5, 1987." The term "activity" as used in this provision of CEBA is not defined. The structure and placement of the CEBA activity restriction within section 4 of the BHC Act and its legislative history do, however, provide direction as to certain transactions that Congress intended to treat as separate activities, thereby providing guidance as to the meaning Congress intended to ascribe to the term generally. First, it is clear that the term "activity" was not meant to refer to banking as a single activity. To the contrary, the term must be viewed as distinguishing between deposit taking and lending activities and treating demand deposit-taking as a separate activity from general deposit-taking and commercial lending as separate from the general lending category.

(ii) Under the activity limitation, a nonbank bank may engage only in activities in which it was "lawfully engaged" as of March 5, 1987. As of that date, a nonbank bank could not have been engaged in both demand deposit-taking and commercial lending activity without placing it and its parent holding company in violation of the BHC Act. Thus, under the activity limitations, a nonbank bank could not after March 5, 1987, commence the demand deposit-taking or commercial lending activity that it did not conduct as of March 5, 1987. The debates and Senate and Conference Reports on CEBA confirm that Congress intended the activity limitation to prevent a grandfathered nonbank bank from converting itself into a full-service bank by both offering demand deposits and engaging in the business of making commercial loans.[4] Thus, these types of transactions provide a clear guide as to the type of banking transactions that would constitute activities under CEBA and the degree of specificity intended by Congress in interpreting that term.

(iii) It is also clear that the activity limitation was not intended simply to prevent a nonbank bank from both accepting demand deposits and making commercial loans; it has a broader scope and purpose. If Congress had meant the term to refer to just these two activities, it would have used the restriction it used in another section of CEBA dealing with nonbank banks owned by bank holding companies which has this result, *i.e.*, the nonbank bank could not engage in any activity that would have caused it to become a bank under the prior bank definition in the Act. *See* 12 U.S.C. § 1843(g)(1)(A). Indeed, an earlier version of CEBA under consideration by the Senate Banking Committee contained such a provision for nonbank banks owned by commercial holding companies, which was deleted in favor of the broader activity limitation actually enacted. Committee Print No. 1, (Feb. 17, 1987). In this regard, both the Senate Report and Conference Report refer to demand deposit-taking and commercial lending as examples of activities that could be affected by the activity limitation, not as the sole activities to be limited by the provision.[5]

(iv) Finally, additional guidance as to the meaning of the term "activity" is provided by the statutory context in which the term appears. The activity limitation is contained in section 4 of the BHC

3. *e.g.*, *Maryland National Corporation*, 73 FEDERAL RESERVE BULLETIN 310, 313–314 (1987). *Cf.*, *Spokane & Inland Empire Railroad Co. v. United States*, 241 U.S. 344, 350 (1915).

4. Conference Report at 124–25; S. Rep. No. 100–19 at 12, 32; H. Rep. No. 99–175, 99th Cong., 1st Sess. 3 (1985) ("the activities limitation is to prevent an institution engaged in a limited range of functions from expanding into new areas and becoming, in essence, a full-service bank"); 133 Cong. Rec. S4054 (daily ed. March 27, 1987); (Comments of Senator Proxmire).

5. Conference Report at 124–125; S. Rep. No. 100–19 at 32.

Act, which regulates the investments and activities of bank holding companies and their nonbank subsidiaries. The Board believes it reasonable to conclude that by placing the CEBA activity limitation in section 4 of the BHC Act, Congress meant that Board and judicial decisions regarding the meaning of the term "activity" in that section be looked to for guidance. This is particularly appropriate given the fact that grandfathered nonbank banks, whether owned by bank holding companies or unregulated holding companies, were treated as nonbank companies and not banks before enactment of CEBA.

(v) This interpretation of the term activity draws support from comments by Senator Proxmire during the Senate's consideration of the provision that the term was not intended to apply "on a product-by-product, customer-by-customer basis." 133 Cong. Rec. S4054–5 (daily ed. March 27, 1987). This is the same manner in which the Board has interpreted the term activity in the nonbanking provision of section 4 as referring to generic categories of activities, not to discrete products and services.

(vi) Accordingly, consistent with the terms and purposes of the legislation and the Congressional intent to minimize unfair competition and the other adverse effects set out in the CEBA findings, the Board concludes that the term "activity" as used in section 4(f)(3) means any line of banking or nonbanking business. This definition does not, however, envision a product-by-product approach to the activity limitation. The Board believes it would be helpful to describe the application of the activity limitation in the context of the following major categories of activities: deposit-taking, lending, trust, and other activities engaged in by banks.

(2) *Deposit-Taking Activities.*

(i) With respect to deposit-taking, the Board believes that the activity limitation in section 4(f)(3) generally refers to three types of activity: demand deposit-taking; non-demand deposit-taking with a third party payment capability; and time and savings deposit-taking without third party payment powers. As previously discussed, it is clear from the terms and intent of CEBA that the activity limitation would prevent, and was designed to prevent, nonbank banks that prior to the enactment of CEBA had refrained from accepting demand deposits in order to avoid coverage as a "bank" under the BHC Act, from starting to take these deposits after enactment of CEBA and thus becoming full-service banks. Accordingly, CEBA requires that the taking of demand deposits be treated as a separate activity.

(ii) The Board also considers nondemand deposits withdrawable by check or other similar means for payment to third parties or others to constitute a separate line of business for purposes of applying the activity limitation. In this regard, the Board has previously recognized that this line of business constitutes a permissible but separate activity under section 4 of the BHC Act. Furthermore, the offering of accounts with transaction capability requires different expertise and systems than non-transaction deposit-taking and represented a distinct new activity that traditionally separated banks from thrift and similar institutions.

(iii) Support for this view may also be found in the House Banking Committee report on proposed legislation prior to CEBA that contained a similar prohibition on new activities for nonbank banks. In discussing the activity limitation, the report recognized a distinction between demand deposits and accounts with transaction capability and those without transaction capability:

> With respect to deposits, the Committee recognizes that it is legitimate for an institution currently involved in offering demand deposits or other third party transaction accounts to make use of new technologies that are in the process of replacing the existing check-based, paper payment system. Again, however, the Committee does not believe that technology should be used as a lever for an institution that was only incidentally involved in the payment system to transform itself into a significant offeror of transaction account capability.[6]

(iv) Finally, this distinction between demand and nondemand checkable accounts and accounts not subject to withdrawal by check was specifically recognized by Congress in the redefinition of the term "bank" in CEBA to include an institution that takes demand deposits or "deposits that the depositor may withdraw by check or other means for payment to third parties or others" as well as in various exemptions from that definition for trust companies, credit card banks, and certain industrial banks.[7]

(v) Thus, an institution that as of March 5, 1987, offered only time and savings accounts that were not withdrawable by check for payment to third parties could not thereafter begin offering ac-

6. H. Rep. No. 99–175, 99th Cong., 1st Sess. 13 (1985).
7. *See* 12 U.S.C. 1841(c)(2)(D), (F), (H), and (I).

counts with transaction capability, for example, NOW accounts or other types of transaction accounts.

(3) *Lending*. As noted, the CEBA activity limitation does not treat lending as a single activity; it clearly distinguishes between commercial and other types of lending. This distinction is also reflected in the definition of "bank" in the BHC Act in effect both prior to and after enactment of CEBA as well as in various of the exceptions from this definition. In addition, commercial lending is a specialized form of lending involving different techniques and analysis from other types of lending. Based upon these factors, the Board would view commercial lending as a separate and distinct activity for purposes of the activity limitation in section 4(f)(3). The Board's decisions under section 4 of the BHC Act have not generally differentiated between types of commercial lending, and thus the Board would view commercial lending as a single activity for purposes of CEBA. Thus, a nonbank bank that made commercial loans as of March 5, 1987, could make any type of commercial loan thereafter.

(i) *Commercial Lending*. For purposes of the activity limitation, a commercial loan is defined in accordance with the Supreme Court's decision in *Board of Governors v. Dimension Financial Corporation*, 474 U.S. 361 (1986), as a direct loan to a business customer for the purpose of providing funds for that customer's business. In this regard, the Board notes that whether a particular transaction is a commercial loan must be determined not from the face of the instrument, but from the application of the definition of commercial loan in the *Dimension* decision to that transaction. Thus, certain transactions of the type mentioned in the Board's ruling at issue in *Dimension* and in the Senate and Conference Reports in the CEBA legislation[8] would be commercial loans if they meet the test for commercial loans established in *Dimension*. Under this test, a commercial loan would not include, for example, an open-market investment in a commercial entity that does not involve a borrower-lender relationship or negotiation of credit terms, such as a money market transaction.

(ii) *Other Lending*. Based upon the guidance in the Act as to the degree of specificity required in applying the activity limitation with respect to lending, the Board believes that, in addition to commercial lending, there are three other types of lending activities: consumer mortgage lending, consumer credit card lending, and other consumer lending. Mortgage lending and credit card lending are recognized, discrete lines of banking and business activity, involving techniques and processes that are different from and more specialized than those required for general consumer lending. For example, these activities are, in many cases, conducted by specialized institutions, such as mortgage companies and credit card institutions, or through separate organizational structures within an institution, particularly in the case of mortgage lending. Additionally, the Board's decisions under section 4 of the Act have recognized mortgage banking and credit card lending as separate activities for bank holding companies. The Board's Regulation Y reflects this specialization, noting as examples of permissible lending activity: consumer finance, credit card and mortgage lending. 12 C.F.R. § 225.25(b)(1). Finally, CEBA itself recognizes the specialized nature of credit card lending by exempting an institution specializing in that activity from the bank definition. For purpose of the activity limitation, a consumer mortgage loan will mean any loan to an individual that is secured by real estate and that is not a commercial loan. A credit card loan would be any loan made to an individual by means of a credit card that is not a commercial loan.

(4) *Trust Activities*. Under section 4 of the Act, the Board has historically treated trust activities as a single activity and has not differentiated the function on the basis of whether the customer was an individual or a business. *See* 12 C.F.R. § 225.25(b)(3). Similarly, the trust company exemption from the bank definition in CEBA makes no distinction between various types of trust activities. Accordingly, the Board would view trust activities as a separate activity without additional differentiation for purposes of the activity limitation in section 4(f)(3).

(5) *Other Activities*. With respect to activities other than the various traditional deposit-taking, lending or trust activities, the Board believes it appropriate, for the reasons discussed above, to apply the activity limitation in section 4(f)(3) as the term "activity" generally applies in other provisions of section 4 of the BHC Act. Thus, a grandfathered nonbank bank could not, for example, commence after March 5, 1987, any of the following activities (unless it was engaged in such an activity as of that date): discount securities brokerage, full-service securities brokerage investment advisory services, underwriting or dealing in government securities as permissible for member banks, foreign exchange transaction services, real or personal property leasing, courier

8. S. Rep. No. 100-19 at 31; Conference Report at 123.

services, data processing for third parties, insurance agency activities,[9] real estate development, real estate brokerage, real estate syndication, insurance underwriting, management consulting, futures commission merchant, or activities of the general type listed in section 225.25(b) of Regulation Y.

(6) *Meaning of "Engaged in"*. In order to be "engaged in" an activity, a nonbank bank must demonstrate that it had a program in place to provide a particular product or service included within the grandfathered activity to a customer and that it was in fact offering the product or service to customers as of March 5, 1987. Thus, a nonbank bank is not engaged in an activity as of March 5, 1987, if the product or service in question was in a planning state as of that date and had not been offered or delivered to a customer. Consistent with prior Board interpretations of the term activity in the grandfather provisions of section 4, the Board does not believe that a company may be engaged in an activity on the basis of a single isolated transaction that was not part of a program to offer the particular product or to conduct in the activity on an ongoing basis. For example, a nonbank bank that held an interest in a single real estate project would not thereby be engaged in real estate development for purposes of this provision, unless evidence was presented indicating the interest was held under a program to commence a real estate development business.

(7) *Meaning of "as of"*. The Board believes that the grandfather date "as of March 5, 1987" as used throughout section 4(f)(3) should refer to activities engaged in on March 5, 1987, or a reasonably short period preceding this date not exceeding 13 months. 133 Cong. Rec. S3957 (daily ed. March 26, 1987). (Remarks of Senator Dodd and Proxmire). Activities that the institution had terminated prior to March 5, 1988, however, would not be considered to have been conducted or engaged in "as of" March 5. For example, if within 13 months of March 5, 1987, the nonbank bank had terminated its commercial lending activity in order to avoid the "bank" definition in the Act, the nonbank bank could not recommence that activity after enactment of CEBA.

(d) *Cross-Marketing Limitation.*

(1) *In General.* Section 4(f)(3) also limits cross-marketing activities by nonbank banks and their affiliates. Under this provision, a nonbank bank may not offer or market a product or service of an affiliate unless the product or service may be offered by bank holding companies generally under section 4(c)(8) of the BHC Act. In addition, a nonbank bank may not permit any of its products or services to be offered or marketed by or through a nonbank affiliate unless the affiliate engages only in activities permissible for a bank holding company under section 4(c)(8). These limitations are subject to an exception for products or services that were being so offered or marketed as of March 5, 1987, but only in the same manner in which they were being offered or marketed as of that date.

(2) *Examples of Impermissible Cross-Marketing.* The Conference Report illustrates the application of this limitation to the following two covered transactions:

(i) products and services of an affiliate that bank holding companies may not offer under the BHC Act, and

(ii) products and services of the nonbank bank. In the first case, the restrictions would prohibit, for example, a company from marketing life insurance or automotive supplies through its affiliate nonbank bank because these products are not generally permissible under the BHC Act. Conference Report at 126. In the second case, a nonbank bank may not permit its products or services to be offered or marketed through a life insurance affiliate or automobile parts retailer because these affiliates engage in activities prohibited under the BHC Act. *Id.*

(3) *Permissible Cross-Marketing.* On the other hand, a nonbank bank could offer to its customers consumer loans from an affiliated mortgage banking or consumer finance company. These affiliates could likewise offer their customers the nonbank bank's products or services provided the affiliates engaged only in activities permitted for bank holding companies under the closely-related-to-banking standard of section 4(c)(8) of the BHC Act. If the affiliate is engaged in both permissible and impermissible activities within the meaning of section 4(c)(8) of the BHC Act, however, the affiliate could not offer or market the nonbank bank's products or services.

(4) *Product Approach to Cross-Marketing Restriction.*

(i) Unlike the activity restrictions, the cross-marketing restrictions of CEBA apply by their terms to individual products and services. Thus, an affiliate of a nonbank bank that was engaged in activities that are not permissible for bank holding companies and that was marketing a particular product or service of a nonbank bank on the

9. In this area, section 4 of the Act does not treat all insurance agency activities as a single activity. Thus, for example, the Act treats the sale of credit-related life, accident and health insurance as a separate activity from general insurance agency activities. *See* 12 U.S.C. 1843(c)(8).

grandfather date could continue to market that product and, as discussed below, could change the terms and conditions of the loan. The nonbank affiliate could not, however, begin to offer or market another product or service of the nonbank bank.

(ii) The Board believes that the term "product or service" must be interpreted in light of its accepted ordinary commercial usage. In some instances, commercial usage has identified a group of products so closely related that they constitute a product line (*e.g.*, certificates of deposit) and differences in versions of the product (*e.g.*, a one-year certificate of deposit) simply represent a difference in the terms of the product.[10] This approach is consistent with the treatment in CEBA's legislative history of certificates of deposit as a product line rather than each particular type of CD as a separate product.[11]

(iii) In the area of consumer lending, the Board believes the following provide examples of different consumer loan products: mortgage loans to finance the purchase of the borrower's residence, unsecured consumer loans, consumer installment loans secured by the personal property to be purchased (*e.g.* automobile, boat or home appliance loans), or second mortgage loans.[12] Under this interpretation, a nonbank bank that offered automobile loans through a nonbank affiliate on the grandfather date could market boat loans, appliance loans or any type of secured consumer installment loan through that affiliate. It could not, however, market unsecured consumer loans, home mortgage loans or other types of consumer loans.

(iv) In other areas, the Board believes that the determination as to what constitutes a product or service should be made on a case-by-case basis consistent with the principles that the terms "product or service" must be interpreted in accordance with their ordinary commercial usage and must be narrower in scope than the definition of activity. Essentially, the concept applied in this analysis is one of permitting the continuation of the specific product marketing activity that was undertaken as of March 5, 1987. Thus, for example, while insurance underwriting may constitute a separate activity under CEBA, a nonbank bank could not market a life insurance policy issued by the affiliate if on the grandfather date it had only marketed homeowners' policies issued by the affiliate.

(5) *Change in Terms and Conditions Permitted.*

(i) The cross-marketing restrictions would not limit the ability of the institution to change the specific terms and conditions of a particular grandfathered product or service. The Conference Report indicates a legislative intent not to lock into place the specific terms or conditions of a grandfathered product or service. Conference Report at 126. For example, a nonbank bank marketing a three-year, $5,000 certificate of deposit through an affiliate under the exemption could offer a one-year $2,000 certificate of deposit with a different interest rate after the grandfather date. *See* footnote 11 above. Modifications that alter the type of product, however, are not permitted. Thus, a nonbank bank that marketed through affiliates on March 5, 1987, only certificates of deposit could not commence marketing MMDA's or NOW accounts after the grandfather date.

(ii) General changes in the character of the product or service as the result of market or technological innovation are similarly permitted to the extent that they do not transform a grandfathered product into a new product. Thus, an unsecured line of credit could not be modified to include a lien on the borrower's residence without becoming a new product.

(6) *Meaning of "Offer or Market".* In the Board's opinion, the terms "offer or market" in the cross-marketing restrictions refer to the presentation to a customer of an institution's products or service through any type of program, including telemarketing, advertising brochures, direct mailing, personal solicitation, customer referrals, or joint-marketing agreements or presentations. An institution must have offered or actually marketed the product or service on March 5 or shortly before that date (as discussed above) to qualify for the grandfather privilege. Thus, if the cross-marketing program was in the planning stage on March 5, 1987, the program would not qualify for grandfather treatment under CEBA.

(7) *Limitations on Cross-Marketing to "in the same manner".*

10. American Bankers Association, *Banking Terminology* (1981).

11. During the Senate debates on CEBA, Senator Proxmire in response to a statement from Senator Cranston that the joint-marketing restrictions do not lock into place the specific terms or conditions of the particular grandfathered product or service, stated:

> That is correct. For example, if a nonbank bank was jointly marketing on March 5, 1987, a 3-year, $5,000 certificate of deposit, this bill would not prohibit offering in the same manner a 1-year, 2,000 certificate of deposit with a different interest rate.

133 Cong. Rec. S3959 (daily ed. March 26, 1987).

12. In this regard, the Supreme Court in *United States v. Philadelphia National Bank*, noted that "the principal banking products are of course various types of credit, for example: unsecured personal and business loans, mortgage loans, loans secured by securities or accounts receivable, automobile installment and consumer goods, installment loans, tuition financing, bank credit cards, revolving credit funds." 374 U.S. 321, 326 n.5 (1963).

(i) The cross-marketing restriction in section 4(f)(3) contains a grandfather provision that permits products or services that would otherwise be prohibited from being offered or marketed under the provision to continue to be offered or marketed by a particular entity if the products or services were being so offered or marketed as of March 5, 1987, but "only in the same manner in which they were being offered or marketed as of that date." Thus, to qualify for the grandfather provision, the manner of offering or marketing the otherwise prohibited product or service must remain the same as on the grandfather date.

(ii) In interpreting this provision, the Board notes that Congress designed the joint-marketing restrictions to prevent the significant risk to the public posed by the conduct of such activities by insured banks affiliated with companies engaged in general commerce, to ensure objectivity in the credit-granting process and to "minimize the unfair competitive advantage that grandfathered commercial companies owning nonbank banks might otherwise engage over regulated bank holding companies and our competing commercial companies that have no subsidiary bank." Conference Report at 125–126. The Board believes that determinations regarding the manner of cross-marketing of a particular product or service may best be accomplished by applying the limitation to the particular facts in each case consistent with the stated purpose of this provision of CEBA and the general principle that grandfather restrictions and exceptions to general prohibitions must be narrowly construed in order to prevent the exception from nullifying the rule. Essentially, as in the scope of the terms "product or service", the guiding principle of Congressional intent with respect to this term is to permit only the continuation of the specific types of cross-marketing activity that were undertaken as of March 5, 1987.

(8) *Eligibility for Cross-Marketing Grandfather Exemption.* The Conference Report also clarifies that entitlement to an exemption to continue to cross-market products and services otherwise prohibited by the statute applies only to the specific company that was engaged in the activity as of March 5, 1987. Conference Report at 126. Thus, an affiliate that was not engaged in cross-marketing products or services as of the grandfather date may not commence these activities under the exemption even if such activities were being conducted by another affiliate. *Id.; see also* S. Rep. No. 100–19 at 33–34.

(e) *Eligibility for Grandfathered Nonbank Bank Status.* In reviewing the reports required by CEBA, the Board notes that a number of institutions that had not commenced business operations on August 10, 1987, the date of enactment of CEBA, claimed grandfather privileges under section 4(f)(3) of CEBA. To qualify for grandfather privileges under section 4(f)(3), the institution must have "bec[o]me a bank as a result of the enactment of [CEBA]" and must have been controlled by a nonbanking company on March 5, 1987. 12 U.S.C. 1843(f)(1)(A). An institution that did not have FDIC insurance on August 10, 1987, and that did not accept demand deposits or transaction accounts or engage in the business of commercial lending on that date, would not have become a "bank" as a result of enactment of CEBA. Thus, institutions that had not commenced operations on August 10, 1987, could not qualify for grandfather privileges under section 4(f)(3) of CEBA. This view is supported by the activity limitations of section 4(f)(3), which, as noted, limit the activities of grandfathered nonbank banks to those in which they were lawfully engaged as of March 5, 1987. A nonbank bank that had not commenced conducting business activities on March 5, 1987, could not after enactment of CEBA engage in any activities under this provision.

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

Western Illinois Bancorp, Inc.
Chicago, Illinois

Order Approving Formation of a Bank Holding Company

Western Illinois Bancorp, Inc., Chicago, Illinois, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) ("BHC Act"), to become a bank holding company by acquiring all of the outstanding voting shares of The First National Bank of Blandinsville, Blandinsville, Illinois ("Bank").

Notice of the application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the BHC Act (53 *Federal Register* 25,010 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Applicant is a nonoperating corporation formed to acquire Bank. Bank is among the smaller commercial banking organizations in Illinois, with total deposits of approximately $16.0 million, representing less than 1 percent of the total deposits in commercial banks in the state. Consummation of the transaction would not result in an increase in the concentration of banking resources in Illinois.

Bank operates in the McDonough County banking market, where it is the 4th largest of 6 commercial banks, controlling 8.2 percent of the total deposits in commercial banks in the market. Consummation of this proposal would not result in any adverse effects upon competition in any relevant market.

Based upon the facts of record, including certain commitments made by Applicant's principal, the financial and managerial resources and future prospects of Applicant and Bank are consistent with approval. Considerations relating to convenience and needs of the communities to be served also are consistent with approval of the application.

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

By order of the Board of Governors, effective September 26, 1988.

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

WILLIAM W. WILES
Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

First Florida Banks, Inc.
Tampa, Florida

7L Corporation
Tampa, Florida

Order Approving Application to Provide Management Consulting Services to Failed Savings and Loan Associations under the Federal Home Loan Bank Board's Management Consignment Program

7L Corporation, Tampa, Florida, and its 35 percent owned subsidiary, First Florida Banks, Inc., Tampa, Florida (together "Applicant"), both bank holding companies within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) (the "Act"), have applied pursuant to section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.21(a) of the Board's Regulation Y (12 C.F.R. § 225.21(a)), to engage *de novo* through a wholly-owned subsidiary of First Florida Banks, Inc., First Management Group, Inc., Tampa, Florida ("First Management Group"), in providing management services to failed savings and loan associations under the Federal Home Loan Bank Board's Management Consignment Program. Applicant has also applied to engage *de novo* through a 60 percent owned subsidiary, Florida Asset Management Group, Inc., Tampa, Florida ("Asset Management Group"), in assisting in the disposition of the nonearning assets and other applicable assets of such failed savings and loan associations. (First Management Group and Asset Management Group are together sometimes referred to as the "Subsidiaries".) The remaining 40 percent of Asset Management Group would be owned by an individual with prior experience in the disposition of assets of troubled financial institutions.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been duly published (53 *Federal Register* 29,276 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant had total consolidated assets of $5.0 billion as of March 31, 1988. Applicant operates two subsidiary banks and engages through two nonbanking subsidiaries in certain insurance agency and property management activities.

The Management Consignment Program was developed by the Federal Home Loan Bank Board ("FHLBB") as a vehicle for preserving the assets and liabilities of a failed savings and loan association pending their disposition to a third-party acquiror. Under the program, the FHLBB charters a new shell federal mutual savings and loan association. The Federal Savings and Loan Insurance Corporation ("FSLIC"), as receiver for the failed association, transfers the assets and liabilities of the failed association to the new association. The FHLBB appoints a board of directors for the new association, and the FSLIC and the board of directors together appoint a manager for the association. The manager, which may be either an individual or a corporate entity, has responsibility for carrying out the mandates of the association's board of directors and for supervising operations to ensure conformity with the board of directors' guidelines. The general management services are provided until the FHLBB succeeds in selling the new association. Applicant proposes to seek the appointment by the FHLBB of First Management Group as a principal manager of one or more failed savings and loan associations from time to time.

The FSLIC and the board of directors and manager of the association may also contract for an assets manager to provide specific management services for major loan assets or major real estate assets acquired through foreclosure, such as the maintenance and disposition of such assets. The assets manager provides such services for varying lengths of time, depending on the nature of the assets in question. Applicant proposes to seek the appointment by the FSLIC of Asset Management Group as an assets manager of one or more failed savings and loan associations from time to time.

The Board has not previously approved the proposed activity. The Board has ruled that bank holding companies may provide management consulting advice to nonaffiliated depository institutions under certain conditions,[1] but has not authorized such activities to be provided on either a daily or a continuing basis, except as necessary to instruct the client institution on the performance of such services for itself.[2] This restriction was imposed in order to ensure that the bank holding company does not, by virtue of providing management consultant services, exercise control over the client institution without satisfying the requirements of the Act.

Based on the facts and circumstances of this case, the Board has determined that the proposed activity is closely related to banking and a proper incident thereto, particularly in light of the significant public benefits that will be produced by making additional resources available to the FHLBB to assist in salvaging the assets of failed savings and loan associations. In this connection, the Board notes that the issues involved in an application such as this must be addressed on a case-by-case basis. In reaching its conclusion in this case, the Board relied on a number of considerations, in particular the fact that the Management Consignment Program is designed to place control of the associations taking part in the program with the FHLBB and the FSLIC. Neither Applicant nor the Subsidiaries will own shares of the client association. Nor will Applicant or the Subsidiaries hold any ownership interest of any kind in the association, either during the course of the Subsidiaries' duties as principal manager or assets manager or afterwards. Applicant will not bid on the association or in any way attempt to purchase the association from the FSLIC.

Under the Management Consignment Program, the manager's authority is limited to carrying out the mandates of the association's board of directors, which is appointed by the FHLBB. Neither Applicant nor the Subsidiaries will have any representation on the board of directors, nor will they be able to select any of the board members or to direct or establish policies. In addition, the Subsidiaries will perform the proposed services for any given association for a limited time only. Upon the sale of the association, in the case of First Management Group, or upon the conclusion of the services required by the assets manager, in the case of Asset Management Group, the Subsidiaries will have no further relationship with the association. The Subsidiaries will be paid on an explicit fee basis, based on time spent in the case of First Management Group and on assets managed in the case of Asset Management Group.

While management officials of the Subsidiaries will be acting as management officials of the client association, such interlocks will be exempt from the prohibition against management official interlocks under the Board's Regulation L.[3] That exemption allows a person to serve at the same time as a management official of two depository organizations if one of the depository organizations has been placed formally in the hands of a receiver, conservator, or other official exercising a similar function.

Other than the limitation regarding the provision of services on a daily or continuing basis, Applicant's proposed activities will conform to the restrictions of the Board's Regulation Y applicable to management consulting services. Accordingly, based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. This determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective September 20, 1988.

1. 12 C.F.R. § 225.25(b)(11).
2. 12 C.F.R. § 225.25, n. 10.
3. 12 C.F.R. § 212.4(a)(3).

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

JAMES MCAFEE
Associate Secretary of the Board

Mellon Bank Corporation Pittsburgh, Pennsylvania

Order Approving an Application to Engage in Lending and Collection Agency Activities

Mellon Bank Corporation, Pittsburgh, Pennsylvania ("Mellon"), a bank holding company within the meaning of the Bank Holding Company Act (the "Act") (12 U.S.C. § 1841 *et seq.*), has applied pursuant to section 4(c)(8) of the Act and section 225.23(a) of the Board's Regulation Y, 12 C.F.R. § 225.23(a), to acquire Grant Street Bank (in Liquidation) ("Grant Street Bank"), Pittsburgh, Pennsylvania, and engage *de novo* in loan recovery and collection activities. Mellon has also applied to engage *de novo* through its subsidiary, Collection Services Corporation, Pittsburgh, Pennsylvania ("CSC"), in loan recovery and collection activities. CSC proposes to engage in these activities on a worldwide basis.

Notice of the applications, affording interested persons an opportunity to submit comments, has been duly published (53 *Federal Register* 29,524 (1988)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Mellon, with total consolidated assets of $31.7 billion, is the largest commercial banking organization in Pennsylvania.[1] Mellon operates five banks in Pennsylvania, and one bank in Delaware, and engages directly and through other subsidiaries in various nonbanking activities.

Mellon proposes to acquire approximately 4.9 percent of the voting shares and 75.7 percent of the total equity of Grant Street Bank.[2] Grant Street Bank, upon receiving a national bank charter,[3] will be a limited-purpose *de novo* bank in voluntary liquidation engaged solely in liquidating assets acquired from Mellon and its banking and nonbanking subsidiaries. Grant Street Bank will contract with CSC, which will perform the actual collection, liquidation and disposition of the assets acquired.

Mellon's proposed activities are encompassed within the authorization in the Board's Regulation Y for bank holding companies to make, acquire, or service loans or other extensions of credit, 12 C.F.R. § 225.25(b)(1), and to operate a collection agency, 12 C.F.R. § 225.25(b)(23). Accordingly, Mellon's proposed activities are closely related to banking and are permissible for bank holding companies.

In order to approve these applications, the Board also must find that the performance of the proposed activities can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

In connection with the application to acquire Grant Street Bank, the Board received a protest from the United Mine Workers of America ("UMW") alleging that Mellon lacks the financial and managerial resources to undertake the proposed operations. UMW also alleges that Mellon is not meeting the convenience and needs of the communities it serves pursuant to the Community Reinvestment Act ("CRA") (12 U.S.C. § 2901 *et seq.*) and that Grant Street Bank will not enhance Mellon's ability to do so. Finally, the UMW alleges that Mellon has carried out policies that have resulted in discriminatory lending practices.[4]

The CRA does not apply to applications filed under section 4(c)(8) of the BHC Act.[5] Accordingly, the Board is not required to undertake an extensive analysis of Mellon's record under the CRA. The Board, however, is required by section 4(c)(8) to determine whether the public benefits of these applications exceed any adverse effects that may result from the proposal. In this regard, the Board has reviewed the record of Mellon's subsidiary banks under CRA and finds their records to be satisfactory. Moreover, Grant

1. Banking data are as of June 30, 1988.
2. The acquisition of 75.7 percent of the total equity of Grant Street Bank necessitates an application under section 4(c)(8) of the Act. 12 C.F.R. § 225.143(d)(5).
3. Grant Street Bank will not be a "bank" for purposes of the Act. It will not accept deposits, will not grant credit to the public in the ordinary course of business, and will not be insured by the Federal Deposit Insurance Corporation. Accordingly, Grant Street Bank will not be a bank for the purposes of the Act. 12 U.S.C. § 1841(c). *See also* Federal Reserve Regulatory Service ¶ 4-363.

4. UMW has requested that the Board conduct a public hearing to receive testimony on the issues presented by these applications. Under the Board's rules, the Board may hold a public hearing on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. § 262.25(d). In the Board's view, the parties have had ample opportunity to present their arguments in writing and to respond to one another's submissions. Based on Mellon's efforts to ascertain and meet the convenience and needs of its community, and other facts of record, the Board has determined that a hearing will serve no useful purpose. Accordingly, UMW's request for a public hearing is denied.
5. 12 U.S.C. § 2902(3)(f). *Citicorp*, 65 FEDERAL RESERVE BULLETIN 507, 512 (1979).

Street Bank is being established solely for the purpose of liquidating assets acquired from Mellon and its subsidiaries. Because Mellon's banks will divest a substantial portion of their low-quality assets, Mellon's banks should be able to operate more efficiently and provide better services to their communities.

There is no evidence in the record to indicate that Mellon's proposed activity would lead to any undue concentration of resources, decreased or unfair competition, unsound banking practices, or other adverse effects. The establishment of Grant Street Bank is part of Mellon's recapitalization, which will result in the liquidation of low-quality assets and increased capital. Public benefit factors, therefore, favor approval of the proposal. In addition, the financial and managerial resources of Mellon also are consistent with approval.

Based upon the foregoing and all the facts of record, the Board has determined that the balance of the public interest factors that it is required to consider under section 4(c)(8) is favorable. Accordingly, the applications are hereby approved. This determination is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) of the Board's Regulation Y, 12 C.F.R. §§ 225.4(d) and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective September 29, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

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

Integra Financial Corporation
Mt. Lebanon, Pennsylvania

Order Approving Consolidation of Bank Holding Companies

Integra Financial Corporation, Mt. Lebanon, Pennsylvania ("Integra"), has applied for the Board's approval under section 3(a)(5) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. §§ 1842(a)(5)) for the consolidation of Pennbancorp, Titusville, Pennsylvania ("Pennbancorp") and Union National Corporation, Mt. Lebanon, Pennsylvania ("Union"), both registered bank holding companies under the BHC Act. Integra would be the successor corporation and would thereby become a bank holding company, acquiring the banking subsidiaries of both Pennbancorp[1] and Union.[2]

Integra has also applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(2)) to acquire several nonbanking companies, which are existing subsidiaries of Pennbancorp and Union[3], and whose activities have been determined by the Board to be closely related to banking and permissible for bank holding companies (12 C.F.R. §§ 225.25 (b)(8) and (15)).

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (53 *Federal Register* 26,501 (1988)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the BHC Act.

Pennbancorp is the ninth largest commercial banking organization in Pennsylvania, controlling deposits of $2.9 billion, representing 2.7 percent of the total

1. The following are banking subsidiaries of Pennbancorp: First Seneca Bank, Oil City, Pennsylvania; Gallatin National Bank, Uniontown, Pennsylvania; and Pennbank, Titusville, Pennsylvania. Pennbancorp also controls more than 5 percent but less than 7 percent of the outstanding voting shares of Producers Bank and Trust Company, Bradford, Pennsylvania; and Independence Bancorp, Inc., Perkasie, Pennsylvania. Independence Bancorp has three banking subsidiaries: Bucks County Bank and Trust Company, Perkasie, Pennsylvania; The Cheltenham Bank, Cheltenham, Pennsylvania; and Union Bank and Trust Company, Pottsville, Pennsylvania.

2. The following are banking subsidiaries of Union: First National Bank & Trust Co., Washington, Pennsylvania; Keystone National Bank, Punxsutawney, Pennsylvania; McDowell National Bank, Sharon, Pennsylvania; The Union National Bank of Pittsburgh, Pittsburgh, Pennsylvania; and Valley National Bank, Freeport, Pennsylvania.

3. The following are the existing nonbanking subsidiaries of Pennbancorp and Union: Pennbancorp Life Insurance Company, Phoenix, Arizona, which engages in underwriting credit life and credit accident/disability insurance directly related to extensions of credit by Pennbancorp's subsidiary banks; and Pennbancorp Brokerage Services Company, Erie, Pennsylvania, which engages in providing securities brokerage services and incidental activities, such as offering individual retirement accounts. Integra has also applied to acquire Union's existing nonbank subsidiary, Union National Life Insurance Company, Phoenix, Arizona, which engages in underwriting, as reinsurer, credit life and credit disability insurance directly related to extensions of credit and non-operating full payout lease transactions by Union's bank subsidiaries.

deposits in commercial banks in the state ("commercial bank deposits").[4] Union is the eighth largest commercial banking organization in Pennsylvania, controlling deposits of $2.8 billion, representing 2.7 percent of the commercial banks deposits. Upon consummation of the proposed consolidation and all planned divestitures, Integra would become the sixth largest commercial banking organization in Pennsylvania, and its share of total deposits in commercial banks would increase to $5.5 billion, representing approximately 5.2 percent of the commercial bank deposits in the state. Consummation of this proposal would have no significant adverse effect upon the concentration of commercial banking resources in Pennsylvania.

Pennbancorp and Union compete directly in the Fayette County, Washington/Waynesburg, Butler, Sharon, Greensburg/Latrobe, Kittanning, Pittsburgh, and Beaver banking markets in Pennsylvania,.

The Fayette County,[5] Washington/Waynesburg,[6] Butler,[7] and Sharon[8] banking markets are each highly concentrated. Upon consummation of the proposal, Integra would control 63.6 percent of the commercial bank deposits in the Fayette County market, 43.4 percent of the commercial bank deposits in the Washington/Waynesburg market, 32.3 percent in the Butler market, and 43.4 percent in the Sharon market. In each market, the Herfindahl-Hirschman Index ("HHI") would increase by over 500 points to over 2700 points.[9]

In order to mitigate the adverse competitive effects that would otherwise result from consummation of this proposal, in the Fayette County, Washington/Waynesburg, Butler and Sharon banking markets, Pennbancorp and Union have committed to divest a total of thirteen banking offices on or before consummation of the consolidation to competitors who either are not currently present in the markets or currently hold less than one percent of the deposits in the respective markets.[10] In addition to these proposed divestitures, the Board has also considered the presence of thrift institutions in these banking markets in its analysis of this proposal. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks.[11] Thrift institutions already exert a considerable competitive influence in the market as providers of NOW accounts and consumer loans, and many are engaged in the business of making commercial loans and accepting demand deposits. Based upon the number, size, market shares and commercial lending activities of thrift institutions in the relevant markets, the Board has concluded that thrift institutions exert a significant competitive influence that mitigate the anticompetitive effects of this proposal in these markets.[12]

Any adverse competitive effects of this proposal in the Greensburg/Latrobe,[13] Kittanning,[14] and Pittsburgh[15] markets are also mitigated by the significant influence of thrift institutions and the numerous

4. State deposit data are as of March 31, 1988, and market deposit data are as of June 30, 1987.

5. The Fayette County banking market consists of Fayette County, Pennsylvania.

6. The Washington/Waynesburg banking market includes the southern two-thirds of Washington County and all of Greene County except for Perry and Dunkard townships, in Pennsylvania.

7. The Butler banking market includes the northern two-thirds of Butler County, and Hovey, Perry, Sugar Creek, and Brady's Bend townships in Armstrong County, Pennsylvania.

8. The Sharon banking market includes Mercer County, Pennsylvania, and Brookfield Township in Trumbull County, Ohio.

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

10. The Board's policy with regard to divestitures intended to remedy the anticompetitive effects resulting from a merger or acquisition proposal requires that divestitures must occur on or before consummation. *Barnett Banks of Florida, Inc.*, 68 FEDERAL RESERVE BULLETIN 190 (1982). *InterFirst Corporation*, 68 FEDERAL RESERVE BULLETIN 243 (1982).

11. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *The Chase Manhattan Corporation*, 70 FEDERAL RESERVE BULLETIN 529 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

12. The following data indicate the market share and the change in the HHI if 50 percent of the deposits controlled by thrift institutions and the described divestitures were included in the calculation of marketing concentration for the following markets:

In the Fayette County market, Pennbancorp would control 47.9 percent of the total market deposits, and Union would control 4.3 percent of the total market deposits. The HHI would increase by 125 points to 3051.

In the Washington/Waynesburg market, Pennbancorp would control 12.1 percent of the total market deposits, and Union would control 18.8 percent of the total market deposits. The HHI would increase by 341 points to 1747.

In the Sharon market, Pennbancorp would control 7.3 percent of the total market deposits, and Union would control 22.9 percent of the total market deposits. The HHI would increase 130 points to 2030.

In the Butler market, Pennbancorp would control 7.5 percent of the total market deposits and Union would control 12.8 percent of the total market deposits. The HHI would increase by 68 points to 1611.

13. The Greensburg/Latrobe banking market includes the eastern two-thirds of Westmoreland County, excluding St. Clair Township, Pennsylvania.

14. The Kittanning banking market includes the northern two-thirds of Armstrong County, excluding Hovey, Perry, Sugar Creek and Brady's Bend townships, Pennsylvania.

15. The Pittsburgh banking market includes: Allegheny County, the southern third of Armstrong County, the southern tier of townships in Beaver County, the southern third of Butler County, the northern third of Washington County, and the eastern third of Westmoreland County, Pennsylvania.

other commercial banking organizations that operate in each market. With the inclusion of 50 percent of the deposits controlled by thrift institutions, consummation of the proposal would result in an increase of less than 50 points in the HHI and Integra would control less than 10 percent of the total deposits in the Greensburg/Latrobe, Kittanning and Pittsburgh markets. In the Beaver market,[16] Integra would control 12.2 percent of the market's deposits and the HHI would increase by 73 points to 1015. The Board concludes that consummation of the proposal would have no significant adverse effect in any of these banking markets.

On the basis of the above and other facts of record, the Board finds that consummation of Integra's proposal would not have a significant adverse effect on existing competition in any relevant market. In addition, the Board concludes that based on the number of probable future entrants in the markets, consummation of this proposal would not have a significant adverse effect on probable future competition in any relevant market.

The Board notes that the proposal will involve an exchange of shares and Integra will not acquire any debt as a result of the transaction. Accordingly, the financial and managerial resources of Pennbancorp and Union are consistent with approval.

In considering the convenience and needs of the communities to be served, the Board has taken into consideration Pennbancorp's and Union's records under the Community Reinvestment Act ("CRA"), (12 U.S.C. § 2901 *et seq.*). In light of certain deficiencies noted at Union's lead bank, Union has committed to expand its participation in various government lending programs and to develop new mortgage programs targeted for low- and moderate-income areas. The bank has recently hired an official for community development affairs and will establish committees to report to the bank's board of directors. The bank will also improve its marketing program to low- and moderate-income areas. Union has also committed to file semi-annual reports with the Federal Reserve Bank of Cleveland regarding the CRA activities of its bank and its commitment. Based upon a review of the record and Union's commitments, the Board concludes that convenience and needs considerations are consistent with approval of this application.

Integra has also applied, pursuant to section 4(c)(8) of the Act, to acquire the nonbanking subsidiaries of Pennbancorp and Union. Consummation of the proposal, however, would have a *de minimis* effect on existing competition and there are numerous competitors for these services. Accordingly, the Board concludes that the proposal would not have any significant adverse effect on existing or probable future competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications to acquire the nonbanking subsidiaries of Pennbancorp and Union.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The consolidation shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority. The determinations as to Integra's nonbanking activities are subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification of termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective September 7, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

16. The Beaver banking market includes: Perry, Wayne, Big Beaver, and Little Beaver townships in Lawrence County, Pennsylvania.

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.

Applicant	Bank(s)	Effective date
Norwest Corporation, Minneapolis, Minnesota	Chase Manhattan Bank N.A., New York, New York	September 23, 1988

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	Bank(s)	Reserve Bank	Effective date
Anmer Corporation, Neligh, Nebraska	Schuyler State Bank and Trust Company, Schuyler, Nebraska	Kansas City	September 12, 1988
Apple Bancorp, Inc., New York, New York	Apple Bank for Savings, New York, New York	New York	August 31, 1988
Ashton Bancshares, Inc., St. Paul, Minnesota	Ashton State Bank, Ashton, Iowa	Chicago	August 29, 1988
Athens Bancorp, Inc., Athens, Illinois	Junction State Bank, Junction City, Wisconsin	Chicago	September 14, 1988
Bank Maryland Corp, Towson, Maryland	Bay National Bank, Annapolis, Maryland	Richmond	September 9, 1988
Barnett Banks, Inc., Jacksonville, Florida	Bank of Madison County, Madison, Florida	Atlanta	September 19, 1988
BNB Holding Company, Inc., New York, New York	Broadway National Bank, New York, New York	New York	September 19, 1988
Citizens Bancshares Corporation, Olanta, South Carolina	The Citizens Bank, Olanta, South Carolina	Richmond	September 14, 1988
City Holding Company, Charleston, West Virginia	Bank of Ripley, Ripley, West Virginia	Richmond	August 29, 1988
Clarkfield Bancshares, Inc., Clarkfield, Minnesota	Fergus Falls Bancshares, Inc., Fergus Falls, Minnesota	Minneapolis	August 29, 1988
Eastern Iowa Bancshares, Ltd., Cascade, Iowa	Onslow Savings Bank, Onslow, Iowa	Chicago	September 21, 1988

Section 3—*Continued*

Applicant	Bank(s)	Reserve Bank	Effective date
Edgewood Bancshares, Inc., Countryside, Illinois	EdgeMark Financial Corporation, Countryside, Illinois Cosmopolitan Financial Services, Inc., Countryside, Illinois	Chicago	September 7, 1988
Farmers and Traders Bancshares, Inc., St. Louis, Missouri	The Farmers and Traders Bank of California, Missouri, California, Missouri	St. Louis	September 2, 1988
First Bancorp Inc., Huron, South Dakota	Custer County Bank, Custer, South Dakota Southern Hills Bank, Edgemont, South Dakota	Minneapolis	September 20, 1988
First Bancorporation of Holdenville, Inc., Holdenville, Oklahoma	Alliance Bank, N.A., Oklahoma City, Oklahoma	Kansas City	September 9, 1988
1st Carolina Bancshares, Ltd., Charleston, South Carolina	1st Carolina Bank, N.A., Charleston, South Carolina	Richmond	August 31, 1988
First Community Bankshares, Inc., Fort Morgan, Colorado Heartland Community Bankshares, Inc., Fort Morgan, Colorado	The First National Bank of Holyoke, Holyoke, Colorado Colorado National Bank-Sterling, Sterling, Colorado	Kansas City	August 31, 1988
FIRST MERCHANTS CORPORATION, Muncie, Indiana	Pendleton Banking Company, Pendleton, Indiana	Chicago	September 19, 1988
First National Cincinnati Corporation, Cincinnati, Ohio	Star Bank, N.A., Cleveland, Ohio	Cleveland	September 6, 1988
First National of Nebraska, Inc., Omaha, Nebraska	Firn-Co., Inc., North Platte, Nebraska	Kansas City	September 8, 1988
First of America Bank Corporation, Kalamazoo, Michigan	Commercial National Bank & Trust Co., Iron Mountain, Michigan	Chicago	September 21, 1988
First of America Bank Corporation, Kalamazoo, Michigan	The State Savings Bank of South Lyon, South Lyon, Michigan	Chicago	September 6, 1988
First Sterling Bancshares, Inc., Winter Haven, Florida	First Sterling Bank of Osceola County, Kissimmee, Florida	Atlanta	August 24, 1988
Fleet/Norstar Financial Group, Inc., Providence, Rhode Island	Fleet Bancorp of New Hampshire, Inc., Nashua, New Hampshire Fleet Bank of New Hampshire, Nashua, New Hampshire	Boston	August 31, 1988
Forest Bancorp, Forest, Mississippi	Metropolitan Corporation, Biloxi, Mississippi	Atlanta	September 19, 1988
Granite State Bankshares, Inc., Keene, New Hampshire	First Peterborough Bank Corp., Peterborough, New Hampshire	Boston	August 30, 1988

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Hassenstab Management Co., Inc., Humphrey, Nebraska	Farmers State Bank, Humphrey, Nebraska	Kansas City	September 16, 1988
Hometown Bancshares, Inc., Middlebourne, West Virginia	Union Bank of Tyler County, Middlebourne, West Virginia	Cleveland	September 12, 1988
H & W Holding Company, Freeman, South Dakota	Merchants State Bank, Freeman, South Dakota	Minneapolis	September 9, 1988
MAH Bancorp, Inc., Orland Park, Illinois	Republic Bank of Chicago, Chicago, Illinois	Chicago	September 2, 1988
Mason City National Bancorp, Inc., Mason City, Illinois	Mason City National Bank, Mason City, Illinois	Chicago	September 19, 1988
Mid-Citco Incorporated, Chicago, Illinois	Union Bank and Trust Company, Oklahoma City, Oklahoma	Chicago	August 24, 1988
Piper Bankshares, Inc., Piper City, Illinois	State Bank of Piper City, Piper City, Illinois	Chicago	September 20, 1988
Pocahontas Bancorporation, Pocahontas, Iowa	The Pocahontas State Bank, Pocahontas, Iowa	Chicago	September 15, 1988
P.T.C. Bancorp, Brookville, Indiana	Bank of Versailles, Versailles, Indiana	Chicago	September 12, 1988
Republic Bancorp, Inc., Ann Arbor, Michigan	Premier Bancorporation, Inc., Jackson, Michigan	Chicago	August 30, 1988
RHNB Corporation, Rock Hill, South Carolina	MetroBank, N.A., Charlotte, North Carolina	Richmond	September 16, 1988
Security National Corporation, Maitland, Florida	Security National Bank of Seminole, Altamonte Springs, Florida	Atlanta	September 19, 1988
Soperton Bancshares, Inc., Soperton, Georgia	The Bank of Soperton, Soperton, Georgia	Atlanta	August 29, 1988
Soperton Naval Stores, Inc., Soperton, Georgia	The Bank of Soperton, Soperton, Georgia	Atlanta	August 29, 1988
SouthTrust of South Carolina, Inc., Latta, South Carolina	Latta Bank & Trust Company, Latta, South Carolina	Atlanta	September 7, 1988
SouthTrust of Tennessee, Inc., Nashville, Tennessee	Meltons Bank, Gassaway, Tennessee	Atlanta	September 7, 1988
Sullivan BancShares, Incorporated, Sullivan, Illinois	The First National Bank of Sullivan, Sullivan, Illinois	Chicago	September 15, 1988
Sunset Commercial Corporation, Miami, Florida	Sunset Financial Corporation, Miami, Florida	Atlanta	September 2, 1988
Telluride Bancorp, Ltd., Telluride, Colorado	Bank of Telluride, Telluride, Colorado	Kansas City	September 14, 1988
Terrabank Holding Corporation, Miami, Florida	Terrabank, National Association, Miami, Florida	Atlanta	September 2, 1988
Throckmorton Bancshares, Inc., Throckmorton, Texas	First National Bank of Throckmorton, Throckmorton, Texas	Dallas	September 22, 1988

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Town & Country Bancorporation, Inc., Newport, Minnesota	Roseville Bancorp, Inc., Roseville, Minnesota	Minneapolis	September 2, 1988
Tri-County Bancshares, Inc., Linn, Kansas	The Linn State Bank, Linn, Kansas	Kansas City	September 7, 1988
University National Bankshares, Inc., Orlando, Florida	University National Bank, Orlando, Florida	Atlanta	September 1, 1988
Valley Bancorporation, Appleton, Wisconsin	Colonial Bancorporation, Thiensville, Wisconsin	Chicago	September 9, 1988
Vogel Bancshares, Inc., Orange City, Iowa	Sioux County State Bank, Orange City, Iowa	Chicago	August 29, 1988

Section 4

Applicant	Nonbanking Activity/Company	Reserve Bank	Effective date
Alta Vista Bancshares, Inc., Alta Vista, Iowa	Alta Vista Insurance and Services Corporation, Alta Vista, Iowa	Chicago	September 19, 1988
Commercial Bancshares, Inc., Parkersburg, West Virginia	Traders Bankshares, Inc., Spencer, West Virginia MOVE Capital, Inc., Charleston, West Virginia	Richmond	September 2, 1988
Constellation Bancorp, Elizabeth, New Jersey	N.A. Home Investors Mortgage Corporation, Hackensack, New Jersey	New York	August 26, 1988
Credit Lyonnais, Paris, France	Alexanders Rouse (USA) Limited, New York, New York	New York	September 2, 1988
First NH Banks, Inc., Manchester, New Hampshire	Insurance Premium Finance Corporation, Derry, New Hampshire	Boston	August 25, 1988
First Sioux Bancshares, Ltd., Sioux Center, Iowa	engaging in the sale of insurance to area farmers and to certain consumer loan customers	Chicago	September 16, 1988
GL & ML, Limited, Aplington, Iowa	Meyer Insurance Agency, Aplington, Iowa	Chicago	September 2, 1988
Guaranty Bancshares, Inc., Mount Pleasant, Texas	Computer SIGNET, Mount Pleasant, Texas	Dallas	September 16, 1988
Michigan National Corporation, Farmington Hills, Michigan	Second Commercial Fund, Inc., Bala Cynwyd, Pennsylvania	Chicago	August 30, 1988
MNC Financial, Inc., Baltimore, Maryland	Landmark Financial Services, Inc., Silver Spring, Maryland	Richmond	August 30, 1988

Section 4—Continued

Applicant	Nonbanking Activity/Company	Reserve Bank	Effective date
Old Kent Financial Corporation, Grand Rapids, Michigan	Hartger & Willard Mortgage Associates, Inc., Grand Rapids, Michigan	Chicago	September 14, 1988
Otto Bremer Foundation, St. Paul, Minnesota	First American Agency, Inc., of St. Cloud, St. Cloud, Minnesota	Minneapolis	August 24, 1988
Prairieland Bancorp, Inc., Bushnell, Illinois	Prairieland Accounting and Tax Service, Bushnell, Illinois	Chicago	August 25, 1988
Southern Michigan Bancorp, Inc., Coldwater, Michigan	Lease Pack Incorporated, Mason, Michigan	Chicago	September 16, 1988
Trustcorp, Inc., Toledo, Ohio	Burke Insurance Agency, Inc., Hoopestown, Illinois	Cleveland	September 1, 1988

Sections 3 and 4

Applicant	Nonbanking Activity/Company	Reserve Bank	Effective date
Fleet/Norstar Financial Group, Inc., Providence, Rhode Island	Fleet/Norstar New York, Inc., Providence, Rhode Island	Boston	September 1, 1988
Fleet/Norstar New York, Inc., Providence, Rhode Island	LI Holding Company, Hempstead, New York Norstar Bank of Upstate New York, Albany, New York Norstar Bank, N.A., Buffalo, New York Norstar Bank of Central New York, Syracuse, New York Norstar Bank, Hempstead, New York	Boston	September 1, 1988

Applications Approved Under Bank Merger Act

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Applicant	Bank(s)	Reserve Bank	Effective date
Bank of Ripley, Ripley, West Virginia	Ripley Bank Merger Subsidiary, Inc., Ripley, West Virginia	Richmond	August 29, 1988
First Community Bank, Inc., Princeton, West Virginia	The First National Bank of Grafton, Grafton, West Virginia	Richmond	September 7, 1988
Norstar Bank, Hempstead, New York	Chemical Bank, New York, New York	New York	August 30, 1988
United Jersey Bank, Hackensack, New Jersey	United Jersey Bank/Wood Ridge National, Wood-Ridge, New Jersey	New York	September 7, 1988

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.

Whitney v. United States, et al., No. CA3–88–1596-H (N.D. Tex., filed July 7, 1988).

VanDyke v. Board of Governors, No. 88–5280 (8th Cir., filed July 13, 1988).

Credit Union National Association, Inc., et al., v. Board of Governors, No. 88–1295 (D.D.C. May 13, 1988).

Bonilla v. Board of Governors, No. 88–1464 (7th Cir., filed March 11, 1988).

Cohen v. Board of Governors, No. 88–1061 (D.N.J., filed March 7, 1988).

Stoddard v. Board of Governors, No. 88–1148 (D.C. Cir., filed Feb. 25, 1988).

Independent Insurance Agents of America, Inc. v. Board of Governors, No. 87–1686 (D.C. Cir., filed Nov. 19, 1987).

Irving Bank Corporation v. Board of Governors, No. 88–1176 (D.C. Cir., filed March 1, 1988).

National Association of Casualty and Surety Agents, et al., v. Board of Governors, Nos. 87–1644, 87–1801, 88–1001 88–1206, 88–1245, 88–1270 (D.C. Cir., filed Nov. 4, Dec. 21, 1987, Jan. 4, March 18, March 30, April 7, 1988).

Teichgraeber v. Board of Governors, No. 87–2505–0 (D. Kan., filed Oct. 16, 1987).

Northeast Bancorp v. Board of Governors, No. 87–1365 (D.C. Cir., filed July 31, 1987).

National Association of Casualty & Insurance Agents v. Board of Governors, Nos. 87–1354, 87–1355 (D.C. Cir., filed July 29, 1987).

The Chase Manhattan Corporation v. Board of Governors, No. 87–1333 (D.C. Cir., filed July 20, 1987).

Lewis v. Board of Governors, Nos. 87–3455, 87–3545 (11th Cir., filed June 25, Aug. 3, 1987).

Securities Industry Association v. Board of Governors, et al., No. 87–1169 (D.C. Cir., filed April 17, 1987).

CBC, Inc. v. Board of Governors, No. 86–1001 (10th Cir., filed Jan. 2, 1986).

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1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]

Item	1987 Q3	1987 Q4	1988 Q1	1988 Q2	1988 Apr.	1988 May	1988 June	1988 July[r]	1988 Aug.
Reserves of depository institutions[2]									
1 Total	−.9	2.5	3.5	5.8	12.3	−.2	5.4	11.9	−2.9
2 Required	.3	1.4	2.9	7.2	13.9	−3.8	8.6	9.7	−1.8
3 Nonborrowed	.3	2.4	1.5	−6.5	−13.0	8.5	−4.8	5.1	1.1
4 Monetary base[3]	5.1	7.8	8.3	7.6	11.4	5.0	6.2	10.4	2.5
Concepts of money, liquid assets, and debt[4]									
5 M1	.8	3.9	3.8	6.3	11.3	.2	9.8	9.1	.2
6 M2	2.8	3.9	6.8r	7.7	9.5r	4.5r	5.8r	3.8	2.5
7 M3	4.6r	5.5r	7.1r	7.5r	7.4r	5.3r	7.7r	6.4	4.0
8 L	4.4r	5.8r	6.7r	8.7r	11.5r	8.1r	3.8r	9.4	n.a.
9 Debt	7.9	10.1	8.3	8.5r	8.6	8.3	8.0r	7.6	n.a.
Nontransaction components									
10 In M2[5]	3.6	3.9	7.8r	8.3	8.9r	6.1r	4.4r	2.0	3.3
11 In M3 only[6]	11.4r	11.9r	8.4r	6.8r	−.5r	8.1r	15.1r	16.0	9.4
Time and savings deposits									
Commercial banks									
12 Savings[7]	10.1	.7	6.3	11.0	6.5	11.7	12.9	9.6	7.0
13 Small-denomination time[8]	7.4	14.8	13.7	11.8	15.1	6.6	6.2	8.8	12.9
14 Large-denomination time[9,10]	6.8	10.5	3.4	6.7r	−2.2	7.7r	23.4r	27.3	21.4
Thrift institutions									
15 Savings[7]	7.0	−3.8	−2.4	6.6	10.1	3.0	9.0	6.5	5.0
16 Small-denomination time	9.3	16.0	21.3	14.0	13.6	10.7	1.7	1.3	5.3
17 Large-denomination time[9]	9.9	22.2	15.7	8.8	16.0	5.7	.0	1.4	−2.9
Debt components[4]									
18 Federal	5.8	7.6	9.3	8.2	7.1	2.7	5.3	4.1	n.a.
19 Nonfederal	8.5	10.9	8.0	8.6r	9.1	10.1r	8.8r	8.7	n.a.
20 Total loans and securities at commercial banks[11]	6.2	5.5	5.1	10.8	11.4	13.0	11.1	4.9	7.0

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter.

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks plus the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock plus the remaining items seasonally adjusted as a whole.

4. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, Money Market Deposit Accounts (MMDAs), savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker-dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker-dealer), foreign governments and commercial banks, and the U.S. government.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of overnight RPs and Eurodollars, money market fund balances (general purpose and broker-dealer), MMDAs, and savings and small time deposits less the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposit liabilities.

6. Sum of large time deposits, term RPs, and Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

7. Excludes MMDAs.

8. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

9. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

10. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1988			1988						
	June	July	Aug.	July 20	July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**251,010**	**253,673**	**251,530**	**252,593**	**251,401**	**252,575**	**251,659**	**252,047**	**250,017**	**251,874**
2 U.S. government securities[1]	225,333	225,800	223,140	225,254	224,208	224,296	223,106	223,742	222,259	223,018
3 Bought outright	224,690	224,319	223,140	224,440	223,390	224,296	223,106	223,742	222,259	223,018
4 Held under repurchase agreements	643	1,481	0	814	818	0	0	0	0	0
5 Federal agency obligations	7,590	8,140	7,194	8,180	7,319	7,201	7,201	7,192	7,191	7,191
6 Bought outright	7,268	7,242	7,194	7,258	7,201	7,201	7,201	7,192	7,191	7,191
7 Held under repurchase agreements	322	898	0	922	118	0	0	0	0	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	3,040	3,508	3,267	3,138	3,398	3,502	3,176	3,267	3,222	3,342
10 Float	478	936	595	766	806	828	679	369	426	501
11 Other Federal Reserve assets	14,569	15,289	17,334	15,255	15,670	16,748	17,497	17,478	16,916	17,822
12 Gold stock[2]	11,063	11,063	11,062	11,063	11,063	11,063	11,062	11,062	11,062	11,062
13 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
14 Treasury currency outstanding	18,478	18,503	18,555	18,505	18,519	18,532	18,542	18,552	18,562	18,572
ABSORBING RESERVE FUNDS										
15 Currency in circulation	233,525	235,965	235,916	236,025	234,880	235,303	236,507	236,466	235,641	235,166
16 Treasury cash holdings[2]	455	414	396	417	406	397	396	398	394	397
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,306	3,695	3,153	3,209	3,594	3,410	3,158	2,676	3,116	3,725
18 Foreign	243	272	227	244	315	262	214	223	213	259
19 Service-related balances and adjustments	1,949	1,857	1,899	1,797	1,935	1,949	2,060	1,998	1,873	1,781
20 Other	329	329	377	350	357	301	319	357	315	540
21 Other Federal Reserve liabilities and capital	7,348	7,306	7,329	7,446	7,392	7,205	7,279	7,400	7,350	7,358
22 Reserve balances with Federal Reserve Banks[3]	37,413	38,418	36,868	37,691	37,122	38,360	36,350	37,161	35,756	37,301

Factors	End-of-month figures			Wednesday figures						
	1988			1988						
	June	July	Aug.	July 20	July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**254,647**	**252,440**	**251,520**	**250,990**	**248,719**	**252,069**	**251,642**	**250,637**	**249,301**	**251,520**
24 U.S. government securities[1]	227,636	224,450	222,795	223,988	220,727	223,552	222,676	223,152	220,473	222,795
25 Bought outright	222,450	224,450	222,795	223,988	220,727	223,552	222,676	223,152	220,473	222,795
26 Held under repurchase agreements	5,186	0	0	0	0	0	0	0	0	0
27 Federal agency obligations	9,508	7,201	7,191	7,201	7,201	7,201	7,201	7,191	7,191	7,191
28 Bought outright	7,268	7,201	7,191	7,201	7,201	7,201	7,201	7,191	7,191	7,191
29 Held under repurchase agreements	2,240	0	0	0	0	0	0	0	0	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	2,464	3,650	3,237	3,123	3,415	3,346	3,028	3,356	3,318	3,237
32 Float	259	774	659	1,102	1,616	725	679	478	816	659
33 Other Federal Reserve assets	14,780	16,365	17,638	15,576	15,760	17,245	18,058	16,460	17,503	17,638
34 Gold stock[2]	11,063	11,063	11,061	11,063	11,062	11,062	11,062	11,062	11,062	11,061
35 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
36 Treasury currency outstanding	18,501	18,531	18,581	18,517	18,531	18,541	18,551	18,561	18,571	18,581
ABSORBING RESERVE FUNDS										
37 Currency in circulation	235,513	234,990	235,881	235,610	234,979	235,998	236,807	236,337	235,366	235,881
38 Treasury cash holdings[2]	432	397	398	407	397	395	399	394	397	398
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	9,762	3,910	4,390	3,606	3,490	3,460	4,397	3,672	3,503	4,390
40 Foreign	382	269	231	266	343	209	177	234	215	231
41 Service-related balances and adjustments	1,655	1,642	1,634	1,637	1,641	1,642	1,660	1,637	1,637	1,637
42 Other	351	291	392	323	322	263	359	324	294	392
43 Other Federal Reserve liabilities and capital	7,109	7,200	7,020	7,226	7,157	6,934	7,246	7,120	7,170	7,020
44 Reserve balances with Federal Reserve Banks[3]	34,026	38,352	36,234	36,512	35,001	37,789	35,228	35,560	35,370	36,231

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* any securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Revised for periods between October 1986 and April 1987. At times during this interval, outstanding gold certificates were inadvertently in excess of the gold stock. Revised data not included in this table are available from the Division of Research and Statistics, Banking Section.
3. Excludes required clearing balances and adjustments to compensate for float.

NOTE. For amounts of currency and coin held as reserves, see table 1.12.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Monthly averages[9]									
	1985	1986	1987	1988						
	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 Reserve balances with Reserve Banks[2]	27,620	37,360	37,673	37,485	34,211	36,027	38,429	36,509	37,907	37,992
2 Total vault cash[3]	22,953	24,079	26,155	26,919	28,119	25,926	25,200	25,873	25,717	26,479
3 Vault[4]	20,522	22,199	24,449	25,155	25,836	24,049	23,636	24,172	24,084	24,763
4 Surplus[5]	2,431	1,879	1,706	1,764	2,283	1,877	1,564	1,700	1,632	1,715
5 Total reserves[6]	48,142	59,560	62,123	62,640	60,047	60,076	62,064	60,681	61,991	62,756
6 Required reserves	47,085	58,191	61,094	61,345	58,914	59,147	61,205	59,641	61,103	61,749
7 Excess reserve balances at Reserve Banks[7]	1,058	1,369	1,029	1,295	1,133	929	859	1,040	888	1,007
8 Total borrowings at Reserve Banks	1,318	827	777	1,082	396	1,752	2,993	2,578	3,083	3,440
9 Seasonal borrowings at Reserve Banks	56	38	93	59	75	119	146	246	311	376
10 Extended credit at Reserve Banks[8]	499	303	483	372	205	1,478	2,624	2,107	2,554	2,538
	Biweekly averages of daily figures for weeks ending									
	1988									
	May 4	May 18	June 1	June 15	June 29	July 13	July 27	Aug. 10	Aug. 24	Sept. 7
11 Reserve balances with Reserve Banks[2]	38,313	36,737	35,707	38,644	37,260	38,831	37,399	37,343r	36,442	37,273
12 Total vault cash[3]	25,112	25,726	26,265	25,118	26,237	26,270	26,647	26,571	27,400	26,351
13 Vault[4]	23,549	24,122	24,418	23,614	24,492	24,629	24,889	24,762	25,513	24,554
14 Surplus[5]	1,563	1,604	1,847	1,504	1,745	1,641	1,758	1,810	1,887	1,798
15 Total reserves[6]	61,862	60,859	60,125	62,258	61,752	63,460	62,288	62,104r	61,935	61,826
16 Required reserves	60,796	59,959	58,943	61,563	60,692	62,599	61,085	61,309r	60,954	60,705
17 Excess reserve balances at Reserve Banks[7]	1,067	901	1,182	696	1,060	861	1,203	796r	981	1,122
18 Total borrowings at Reserve Banks	2,224	2,175	3,120	3,465	2,658	3,656	3,268	3,339	3,245	3,093
19 Seasonal borrowings at Reserve Banks	191	241	269	287	337	352	390	407	431	433
20 Extended credit at Reserve Banks[8]	1,787	1,798	2,538	2,986	2,138	2,340	2,663	2,748	2,671	2,482

1. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.
2. Excludes required clearing balances and adjustments to compensate for float.
3. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.
4. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
5. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.
6. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
7. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.
8. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
9. Data are prorated monthly averages of biweekly averages.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Member Banks[1]

Averages of daily figures, in millions of dollars

Maturity and source	1987 week ending Monday								
	Jan. 4	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22	Feb. 29
Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds									
From commercial banks in the United States									
1 For one day or under continuing contract	75,090	75,188	70,870	69,234	68,643	73,658	71,220	70,499	68,564
2 For all other maturities	8,611	9,297	9,300	8,966	8,899	10,198	10,983	10,336	10,925
From other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies									
3 For one day or under continuing contract	23,602	28,254	29,954	28,418	28,852	33,324	34,496	35,712	36,350
4 For all other maturities	6,886	5,920	5,897	6,140	6,356	6,762	7,250	6,146	5,926
Repurchase agreements on U.S. government and federal agency securities in immediately available funds									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	15,781	14,660	14,427	15,796	16,800	15,386	13,137	14,778	13,368
6 For all other maturities	8,110	10,653	12,060	13,614	14,309	15,290	16,451	13,610	14,974
All other customers									
7 For one day or under continuing contract	25,793	27,673	27,327	26,596	26,307	25,172	25,709	25,270	24,686
8 For all other maturities	9,675	9,984	9,420	10,378	10,268	9,986	10,605	10,130	10,652
MEMO: Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9 To commercial banks in the United States	34,041	35,783	35,356	35,063	36,523	35,727	34,848	36,414	32,112
10 To all other specified customers[2]	10,793	12,665	12,541	14,446	15,399	15,169	14,115	13,620	13,381

1. Banks with assets of $1 billion or more as of Dec. 31, 1977. These data also appear in the Board's H.5 (507) release. For address, see inside front cover.

2. Brokers and nonbank dealers in securities; other depository institutions; foreign banks and official institutions; and United States government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit and Seasonal credit[1]			Extended credit[2]						
				First 30 days of borrowing			After 30 days of borrowing[3]			
	On 9/28/88	Effective date	Previous rate	On 9/28/88	Effective date	Previous rate	On 9/28/88	Effective date	Previous rate	Effective date
Boston	6½	8/9/88	6	6½	8/9/88	6	8.65	9/22/88	8.80	9/8/88
New York		8/9/88			8/9/88			9/22/88		9/8/88
Philadelphia		8/9/88			8/9/88			9/22/88		9/8/88
Cleveland		8/9/88			8/9/88			9/22/88		9/8/88
Richmond		8/9/88			8/9/88			9/22/88		9/8/88
Atlanta		8/9/88			8/9/88			9/22/88		9/8/88
Chicago		8/10/88			8/10/88			9/22/88		9/8/88
St. Louis		8/9/88			8/9/88			9/22/88		9/8/88
Minneapolis		8/9/88			8/9/88			9/22/88		9/8/88
Kansas City		8/9/88			8/9/88			9/22/88		9/8/88
Dallas		8/11/88			8/11/88			9/22/88		9/8/88
San Francisco	6½	8/9/88	6	6½	8/9/88	6	8.65	9/22/88	8.80	9/8/88

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.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6	1980—July 28	10–11	10	1984—Apr. 9	8½–9	9
1978—Jan. 9	6–6½	6½	29	10	10	13	9	9
20	6½	6½	Sept. 26	11	11	Nov. 21	8½–9	8½
May 11	6½–7	7	Nov. 17	12	12	26	8½	8½
12	7	7	Dec. 5	12–13	13	Dec. 24	8	8
July 3	7–7¼	7¼						
10	7¼	7¼	1981—May 5	13–14	14	1985—May 20	7½–8	7½
Aug. 21	7¾	7¾	8	14	14	24	7½	7½
Sept. 22	8	8	Nov. 2	13–14	13			
Oct. 16	8–8½	8½	6	13	13	1986—Mar. 7	7–7½	7
20	8½	8½	Dec. 4	12	12	10	7	7
Nov. 1	8½–9½	9½				Apr. 21	6½–7	6½
3	9½	9½	1982—July 20	11½–12	11½	July 11	6	6
			23	11½	11½	Aug. 21	5½–6	5½
1979—July 20	10	10	Aug. 2	11–11½	11	22	5½	5½
Aug. 17	10–10½	10½	3	11	11			
20	10½	10½	16	10½	10½	1987—Sept. 4	5½–6	6
Sept. 19	10½–11	11	27	10–10½	10	11	6	6
21	11	11	30	10	10			
Oct. 8	11–12	12	Oct. 12	9½–10	9½	1988—Aug. 9	6–6½	6½
10	12	12	13	9½	9½	11	6½	6½
			Nov. 22	9–9½	9			
1980—Feb. 15	12–13	13	26	9	9	In effect September 28, 1988	6½	6½
19	13	13	Dec. 14	8½–9	9			
May 29	12–13	13	15	8½–9	8½			
30	12	12	17	8½	8½			
June 13	11–12	11						
16	11	11						

1. Adjustment credit is available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. After May 19, 1986, the highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

Seasonal credit is available to help smaller depository institutions meet regular, seasonal needs for funds that cannot be met through special industry lenders and that arise from a combination of expected patterns of movement in their deposits and loans. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was reestablished on Feb. 18, 1986 and again on Jan. 28, 1987; the rate may be either the same as that for adjustment credit or a fixed rate ½ percent higher.

2. Extended credit is available to depository institutions, when similar assistance is not reasonably available from other sources, when exceptional circumstances or practices involve only a particular institution or when an institution is experiencing difficulties adjusting to changing market conditions over a longer period of time.

3. For extended-credit loans outstanding more than 30 days, a flexible rate somewhat above rates on market sources of funds ordinarily will be charged, but in no case will the rate charged be less than the basic discount rate plus 50 basis points. The flexible rate is reestablished on the first business day of each two-week reserve maintenance period. At the discretion of the Federal Reserve Bank, the time period for which the basic discount rate is applied may be shortened.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; *Annual Statistical Digest, 1970–1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980 through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981 the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval[2]	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
Net transaction accounts[3,4]		
$0 million–$40.5 million	3	12/15/87
More than $40.5 million	12	12/15/87
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. Reserve requirements in effect on Dec. 31, 1987. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers 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* and of the FEDERAL RESERVE BULLETIN. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 15, 1987, the exemption was raised from $2.9 million to $3.2 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

3. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers in excess of three per month for the purpose of making payments to third persons or others. However, MMDAs and similar accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three can be checks, are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements).

4. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage increase in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 15, 1987 for institutions reporting quarterly and Dec. 29, 1987 for institutions reporting weekly, the amount was increased from $36.7 million to $40.5 million.

5. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which a beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1985	1986	1987	1988						
				Jan.	Feb.	Mar.	Apr.	May	June	July
U.S. TREASURY SECURITIES										
Outright transactions (*excluding matched transactions*)										
Treasury bills										
1 Gross purchases	22,214	22,602	18,983	0	346	560	423	0	0	515
2 Gross sales	4,118	2,502	6,050	49	538	0	0	0	0	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	3,500	1,000	9,029	600	1,600	0	0	0	0	0
Others within 1 year										
5 Gross purchases	1,349	190	3,658	0	0	0	1,092	0	0	0
6 Gross sales	0	0	300	0	0	0	0	0	0	0
7 Maturity shift	19,763	18,673	21,502	950	1,939	2,051	868	1,646	1,384	1,033
8 Exchange	−17,717	−20,179	−20,388	−754	−2,868	−2,089	−1,688	−4,324	−1,826	−87
9 Redemptions	0	0	70	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	2,185	893	10,231	0	0	0	3,661	0	0	0
11 Gross sales	0	0	452	0	800	0	0	0	0	0
12 Maturity shift	−17,459	−17,058	−17,974	−840	−952	−2,051	−823	−1,102	−1,384	−997
13 Exchange	13,853	16,984	18,938	749	2,643	2,089	1,434	3,724	1,826	0
5 to 10 years										
14 Gross purchases	458	236	2,441	0	0	0	1,017	0	0	0
15 Gross sales	100	0	0	0	175	0	0	0	0	0
16 Maturity shift	−1,857	−1,620	−3,529	−110	−987	0	−45	−387	0	−36
17 Exchange	2,184	2,050	950	5	150	0	254	400	0	87
Over 10 years										
18 Gross purchases	293	158	1,858	0	0	0	966	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−447	0	0	0	0	0	0	−157	0	0
21 Exchange	1,679	1,150	500	0	75	0	0	200	0	0
All maturities										
22 Gross purchases	26,499	24,078	37,171	0	346	560	7,160	0	0	515
23 Gross sales	4,218	2,502	6,802	49	1,513	0	0	0	0	0
24 Redemptions	3,500	1,000	9,099	600	1,600	0	0	0	0	0
Matched transactions										
25 Gross sales	866,175	927,997	950,923	78,358	97,892	104,527	86,900	115,287	73,708	81,979
26 Gross purchases	865,968	927,247	950,935	78,513	99,139	104,572	85,608	115,115	72,966	83,464
Repurchase agreements[2]										
27 Gross purchases	134,253	170,431	314,620	10,591	0	0	18,696	15,871	10,520	22,978
28 Gross sales	132,351	160,268	324,666	14,237	0	0	11,088	23,478	5,334	28,164
29 Net change in U.S. government securities	20,477	29,989	11,235	−4,140	−1,520	605	13,476	−7,779	4,444	−3,186
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	162	398	276	131	21	3	120	11	0	67
Repurchase agreements[2]										
33 Gross purchases	22,183	31,142	80,353	4,042	0	0	4,243	4,771	5,083	12,355
34 Gross sales	20,877	30,522	81,351	5,357	0	0	1,447	7,566	2,843	14,594
35 Net change in federal agency obligations	1,144	222	−1,274	−1,446	−21	−3	2,676	−2,807	2,239	−2,306
36 **Total net change in System Open Market Account**	**21,621**	**30,211**	**9,961**	**−5,586**	**−1,541**	**602**	**16,151**	**−10,585**	**6,683**	**−5,492**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

2. In July 1984 the Open Market Trading Desk discontinued accepting bankers acceptances in repurchase agreements.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday 1988					End of month 1988		
	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31	June	July	Aug.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,062	11,062	11,062	11,062	11,061	11,063	11,063	11,061
2 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
3 Coin	372	377	385	380	370	369	383	370
Loans								
4 To depository institutions	3,346	3,028	3,356	3,318	3,237	2,464	3,650	3,237
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	7,201	7,201	7,191	7,191	7,191	7,268	7,201	7,191
8 Held under repurchase agreements	0	0	0	0	0	2,240	0	0
U.S. Treasury securities								
Bought outright								
9 Bills	106,575	105,699	106,175	103,496	105,818	105,473	107,473	105,818
10 Notes	87,484	87,484	87,484	87,484	87,484	87,484	87,484	87,484
11 Bonds	29,493	29,493	29,493	29,493	29,493	29,493	29,493	29,493
12 Total bought outright[2]	223,552	222,676	223,152	220,473	222,795	222,450	224,450	222,795
13 Held under repurchase agreements	0	0	0	0	0	5,186	0	0
14 Total U.S. Treasury securities	223,493	222,676	223,152	220,473	222,795	227,636	224,450	222,795
15 **Total loans and securities**	**234,099**	**232,905**	**233,699**	**230,982**	**233,223**	**239,608**	**235,301**	**233,223**
16 Items in process of collection	7,380	6,318	6,887	6,237	6,283	6,604	7,278	6,283
17 Bank premises	731	731	730	733	732	727	729	732
Other assets								
18 Denominated in foreign currencies[3]	8,462	8,840	8,973	9,606	9,797	6,226	7,561	9,797
19 All other[4]	8,052	8,487	6,757	7,164	7,109	7,827	8,075	7,109
20 **Total assets**	**275,176**	**273,738**	**273,511**	**271,182**	**273,593**	**277,442**	**275,408**	**273,593**
LIABILITIES								
21 Federal Reserve notes	218,224	219,032	218,555	217,572	218,068	217,812	217,240	218,068
Deposits								
22 To depository institutions	39,431	36,888	37,197	37,007	37,868	35,681	39,994	37,868
23 U.S. Treasury—General account	3,460	4,397	3,672	3,503	4,390	9,762	3,910	4,390
24 Foreign—Official accounts	209	177	234	215	231	382	269	231
25 Other	263	359	324	294	392	351	291	392
26 **Total deposits**	**43,363**	**41,821**	**41,427**	**41,019**	**42,881**	**46,176**	**44,464**	**42,881**
27 Deferred credit items	6,655	5,639	6,409	5,421	5,624	6,345	6,504	5,624
28 Other liabilities and accrued dividends[5]	2,524	2,700	2,632	2,667	2,613	2,819	2,611	2,613
29 **Total liabilities**	**270,766**	**269,192**	**269,023**	**266,679**	**269,186**	**273,152**	**270,819**	**269,186**
CAPITAL ACCOUNTS								
30 Capital paid in	2,118	2,075	2,075	2,079	2,083	2,110	2,119	2,083
31 Surplus	2,047	2,047	2,047	2,047	2,041	2,039	2,046	2,041
32 Other capital accounts	245	424	366	377	283	141	424	283
33 **Total liabilities and capital accounts**	**275,176**	**273,738**	**273,511**	**271,182**	**273,593**	**277,442**	**275,408**	**273,593**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	224,230	224,069	225,066	225,105	223,518	228,226	226,294	223,518
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	262,317	262,747	263,153	263,770	263,958	260,049	262,021	263,958
36 LESS: Held by bank	44,093	43,715	44,598	46,198	45,890	42,237	44,781	45,890
37 Federal Reserve notes, net	218,224	219,032	218,555	217,572	218,068	217,812	217,240	218,068
Collateral held against notes net:								
38 Gold certificate account	11,062	11,062	11,062	11,062	11,061	11,063	11,063	11,061
39 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	202,144	202,952	202,475	201,492	201,989	201,731	201,159	201,989
42 **Total collateral**	**218,224**	**219,032**	**218,555**	**217,572**	**218,068**	**217,812**	**217,240**	**218,068**

1. Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within 90 days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1988					1988		
	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31	June 30	July 29	Aug. 31
1 Loans—Total	3,346	3,028	3,356	3,318	3,237	2,464	3,650	3,237
2 Within 15 days	3,105	2,777	3,265	3,254	3,063	2,336	3,510	3,063
3 16 days to 90 days	241	251	91	64	174	128	140	174
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. Treasury securities—Total	223,552	222,676	223,152	220,473	222,795	227,636	224,450	222,795
10 Within 15 days[1]	11,964	9,464	12,161	9,518	10,774	10,569	7,756	10,774
11 16 days to 90 days	50,638	49,706	47,376	47,191	50,393	50,269	56,583	50,393
12 91 days to 1 year	64,503	67,060	68,255	68,404	66,296	70,884	64,395	66,296
13 Over 1 year to 5 years	54,453	54,452	55,152	55,152	55,124	53,971	53,722	55,124
14 Over 5 years to 10 years	15,486	15,486	13,700	13,700	13,700	15,435	15,486	13,700
15 Over 10 years	26,508	26,508	26,508	26,508	26,508	26,508	26,508	26,508
16 Federal agency obligations—Total	7,201	7,201	7,191	7,191	7,191	9,508	7,201	7,191
17 Within 15 days[1]	60	121	317	317	287	2,470	185	287
18 16 days to 90 days	879	769	676	676	660	694	765	660
19 91 days to 1 year	1,769	1,769	1,655	1,655	1,647	1,808	1,759	1,647
20 Over 1 year to 5 years	3,173	3,173	3,173	3,173	3,268	3,204	3,173	3,268
21 Over 5 years to 10 years	1,130	1,180	1,180	1,180	1,140	1,143	1,130	1,140
22 Over 10 years	190	189	190	190	189	189	189	189

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
					Seasonally adjusted							
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 **Total reserves[3]**	**40.96**	**47.26**	**57.46**	**58.72**	**59.46**	**59.57**	**59.76**	**60.37**	**60.37**	**60.64**	**61.24r**	**61.09**
2 Nonborrowed reserves	37.77	45.94	56.63	57.94	58.38	59.18	58.01	57.38	57.79	57.55	57.80r	57.85
3 Nonborrowed reserves plus extended credit[4]	40.38	46.44	56.93	58.43	58.75	59.38	59.49	60.00	59.89	60.11	60.34	60.50
4 Required reserves	40.11	46.20	56.09	57.69	58.16	58.44	58.83	59.51	59.32	59.75	60.23	60.14
5 Monetary base[5]	200.45	218.26	240.80	257.93	260.72	262.02	263.32	265.81	266.92	268.31	270.63r	271.20
					Not seasonally adjusted							
6 **Total reserves[3]**	**41.84**	**48.27**	**58.70**	**60.02**	**61.20**	**58.66**	**58.85**	**60.95**	**59.45**	**60.68**	**61.47**	**60.59**
7 Nonborrowed reserves	38.65	46.95	57.87	59.25	60.12	58.27	57.10	57.95	56.88	57.60	58.03	57.35
8 *Nonborrowed reserves plus extended credit[4]*	*41.26*	*47.45*	*58.18*	*59.73*	*60.49*	*58.47*	*58.58*	*60.58*	*58.98*	*60.15*	*60.57*	*60.00*
9 Required reserves	40.99	47.21	57.33	58.99	59.90	57.53	57.92	60.09	58.41	59.79	60.46	59.64
10 Monetary base[5]	203.39	221.49	244.55	262.05	262.01	259.01	260.77	265.01	265.73	269.44	272.41r	271.73
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[6]												
11 **Total reserves[3]**	**40.70**	**48.14**	**59.56**	**62.12**	**62.64**	**60.05**	**60.08**	**62.06**	**60.68**	**61.99**	**62.76**	**61.97**
12 Nonborrowed reserves	37.51	46.82	58.73	61.35	61.56	59.65	58.32	59.07	58.10	58.91	59.32	58.73
13 Nonborrowed reserves plus extended credit[4]	40.09	47.41	59.04	61.86	62.12	59.82	59.58	61.89	60.08	61.47	61.99	61.26
14 Required reserves	39.84	47.08	58.19	61.09	61.34	58.91	59.15	61.21	59.64	61.10	61.75	61.02
15 Monetary base[5]	204.18	223.53	247.71	266.16	265.79	262.60	263.98	268.13	268.90	272.65	275.59r	275.03

1. Latest monthly and biweekly figures are available from the Board's H.3(502) statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Monetary and Reserves Projections Section. Division of Monetary Affairs. Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

4. Extended credit consists of borrowing at the discount window under the *terms and conditions* established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

5. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks and the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. Currency and vault cash figures are measured over the weekly computation period ending Monday.

The seasonally adjusted monetary base consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock and the remaining items seasonally adjusted as a whole.

6. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with implementation of the Monetary Control Act or other regulatory changes to reserve requirements.

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item[2]	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 May	1988 June	1988 July[r]	1988 Aug.
	Seasonally adjusted							
1 M1	551.9	620.1	725.4	750.8	770.2	776.5	782.4	782.5
2 M2	2,363.6	2,562.6	2,807.7[r]	2,901.0[r]	3,002.2[r]	3,016.6[r]	3,025.8	3,031.7
3 M3	2,978.3	3,196.4	3,490.8[r]	3,664.2[r]	3,788.5[r]	3,812.8[r]	3,833.8	3,846.6
4 L	3,519.4	3,825.9	4,134.3[r]	4,327.0[r]	4,495.2[r]	4,509.3[r]	4,550.8	n.a.
5 Debt	5,932.6	6,749.4	7,607.6	8,305.5	8,588.9[r]	8,646.0[r]	8,700.9	n.a.
M1 components								
6 Currency[3]	156.1	167.7	180.4	196.5	203.6	204.9	206.3	207.2
7 Travelers checks[4]	5.2	5.9	6.5	7.1	7.4	7.3	7.2	7.2
8 Demand deposits[5]	244.1	267.2	303.3	288.0	287.4	289.9	290.6	290.0
9 Other checkable deposits[6]	146.4	179.2	235.2	259.3	271.9	274.4	278.3	278.1
Nontransactions components								
10 In M2[7]	1,811.7	1,942.5	2,082.3[r]	2,150.2[r]	2,232.0[r]	2,240.1[r]	2,243.4	2,249.1
11 In M3 only[8]	614.7	633.8	683.1[r]	763.2[r]	786.3[r]	796.2[r]	808.0	815.0
Savings deposits[9]								
12 Commercial Banks	122.6	124.8	155.5	178.2	186.0	188.0	189.5	190.6
13 Thrift institutions	162.9	176.6	215.2	236.0	239.2	241.0	242.3	243.2
Small-denomination time deposits[10]								
14 Commercial Banks	386.3	383.3	364.6	384.6	404.7	406.8	409.8	414.2
15 Thrift institutions	497.0	496.2	488.6	528.5	567.3	568.1	568.7	571.2
Money market mutual funds								
16 General purpose and broker-dealer	167.5	176.5	208.0	221.1	231.7	228.9	229.5	230.9
17 Institution-only	62.7	64.5	84.4	89.6	90.0	86.3	84.8	84.0
Large-denomination time deposits[11]								
18 Commercial Banks[12]	270.2	284.9	288.9	323.5	327.8[r]	334.2[r]	341.3	346.9
19 Thrift institutions	146.8	151.6	150.3	161.2	168.1	168.1	168.3	167.9
Debt components								
20 Federal debt	1,365.3	1,584.3	1,804.5	1,954.7	2,023.1	2,032.1	2,039.0	n.a.
21 Nonfederal debt	4,567.3	5,165.1	5,803.2	6,350.8	6,565.8[r]	6,614.0[r]	6,661.8	n.a.
	Not seasonally adjusted							
22 M1	564.5	633.5	740.6	765.9	763.8	778.8	785.6	781.3
23 M2	2,373.2	2,573.9	2,821.4[r]	2,914.7[r]	2,988.3[r]	3,014.4[r]	3,030.3	3,030.8
24 M3	2,991.4	3,211.0	3,507.6[r]	3,680.8[r]	3,776.1[r]	3,808.1[r]	3,831.1	3,844.3
25 L	3,532.7	3,841.4	4,152.3[r]	4,345.1[r]	4,477.8[r]	4,505.9[r]	4,540.2	n.a.
26 Debt	5,927.1	6,740.6	7,593.3	8,289.3	8,559.2[r]	8,621.1[r]	8,675.6	n.a.
M1 components								
27 Currency[3]	158.5	170.2	183.0	199.4	203.6	205.8	207.9	207.9
28 Travelers checks[4]	4.9	5.5	6.0	6.5	7.1	7.6	8.2	8.2
29 Demand deposits[5]	253.0	276.9	314.4	298.5	282.9	291.0	292.6	288.7
30 Other checkable deposits[6]	148.2	180.9	237.3	261.6	270.1	274.4	276.8	276.4
Nontransactions components								
31 M2[7]	1,808.7	1,940.3	2,080.7[r]	2,148.8[r]	2,224.5[r]	2,235.6[r]	2,244.8	2,249.5
32 M3 only[8]	618.2	637.1	686.2[r]	766.1[r]	787.7[r]	793.7[r]	800.8	813.5
Money market deposit accounts								
33 Commercial Banks	267.4	332.8	379.6	358.2	357.0	359.9	359.4	356.9
34 Thrift institutions	149.4	180.8	192.9	167.0	162.6	162.4	161.8	160.2
Savings deposits[9]								
35 Commercial Banks	121.5	123.7	154.2	176.7	187.1	189.6	191.4	190.9
36 Thrift institutions	161.5	174.8	212.9	233.3	241.2	243.8	245.6	243.8
Small-denomination time deposits[10]								
37 Commercial Banks	386.9	384.0	365.3	385.2	401.4	405.4	410.3	415.3
38 Thrift institutions	498.2	497.5	489.7	529.3	562.8	564.6	568.9	570.9
Money market mutual funds								
39 General purpose and broker-dealer	167.5	176.5	208.0	221.1	231.7	228.9	229.5	230.9
40 Institution-only	62.7	64.5	84.4	89.6	90.0	86.3	84.8	84.0
Large-denomination time deposits[11]								
41 Commercial Banks[12]	270.9	285.4	289.1	323.6	328.5	333.4[r]	338.4	346.3
42 Thrift institutions	146.8	151.9	150.7	161.8	167.2	166.9	166.8	167.6
Debt components								
43 Federal debt	1,364.7	1,583.7	1,803.9	1,954.1	2,005.2	2,014.7	2,022.3	n.a.
44 Nonfederal debt	4,562.4	5,156.9	5,789.4	6,335.1	6,554.0	6,606.4[r]	6,653.3	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Monetary and Reserves Projection section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, MMDAs, savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker–dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker–dealer), foreign governments and commercial banks, and the U.S. government.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages.

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions.

7. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker-dealer), MMDAs, and savings and small time deposits.

8. Sum of large time deposits, term RPs, and term Eurodollars of U.S. residents, money market fund balances *(institution-only), less the estimated* amount of overnight RPs and Eurodollars held by institution-only money market funds.

9. Savings deposits exclude MMDAs.

10. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All individual retirement accounts (IRA) and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

11. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

12. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

1.22 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are shown in billions of dollars, turnover as ratio of debits to deposits. Monthly data are at annual rates.

Bank group, or type of customer	1985[2]	1986[2]	1987[2]	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June
DEBITS TO	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	156,091.6	188,345.8	217,115.9	213,270.8	221,057.3	218,986.7	213,971.5	224,052.3	230,198.8
2 Major New York City banks	70,585.8	91,397.3	104,496.3	98,733.8	104,568.3	101,161.0	100,695.1	109,714.7	111,402.1
3 Other banks	85,505.9	96,948.8	112,619.6	114,537.0	116,489.0	117,825.7	113,276.4	114,337.6	118,796.6
4 ATS–NOW accounts[4]	1,823.5	2,182.5	2,402.7	2,352.7	2,730.3	2,856.8	2,557.9	2,664.9	2,786.0
5 Savings deposits[5]	384.9	403.5	526.5	534.9	596.0	640.7	543.7	574.7	597.1
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	500.3	556.5	612.1	602.5	628.2	628.8	600.2	630.9	649.8
7 Major New York City banks	2,196.9	2,498.2	2,670.6	2,600.3	2,844.8	2,811.0	2,700.6	2,881.3	2,911.0
8 Other banks	305.7	321.2	357.0	362.5	369.7	377.3	354.9	360.6	376.0
9 ATS–NOW accounts[4]	15.8	15.6	13.8	13.0	14.9	15.5	13.8	14.2	14.8
10 Savings deposits[5]	3.2	3.0	3.1	3.0	3.3	3.5	3.0	3.1	3.2
DEBITS TO	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	156,052.3	188,506.4	217,124.8	210,029.1	208,899.2	233,286.6	214,848.8	222,685.5	241,133.2
12 Major New York City banks	70,559.2	91,500.0	104,518.6	97,840.1[c]	98,106.5[c]	109,557.8	101,141.9	106,335.6	117,287.7
13 Other banks	85,493.1	97,006.6	112,606.1	112,189.0	110,792.7	123,728.8	113,706.9	116,349.9	123,845.5
14 ATS–NOW accounts[4]	1,826.4	2,184.6	2,404.8	2,565.2	2,468.6	2,825.0	2,745.3	2,601.3	2,851.4
15 MMDA[6]	1,223.9	1,609.4	1,954.2	2,305.6	2,102.8	2,337.5	2,372.8	2,341.0	2,557.1
16 Savings deposits[5]	385.3	404.1	526.8	552.5	526.3	616.5	603.2	566.4	598.3
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	499.9	556.7	612.3	578.7	610.5	684.3	601.8	638.6	679.5
18 Major New York City banks	2,196.3	2,499.1	2,674.9	2,430.3	2,664.6	3,005.7	2,706.2	2,895.6	3,121.4
19 Other banks	305.6	321.2	356.9	347.7	362.8	406.4	355.7	372.9	390.3
20 ATS–NOW accounts[4]	15.8	15.6	13.8	13.9	13.5	15.3	14.4	14.1	15.2
21 MMDA[6]	4.0	4.5	5.3	6.5	5.9	6.5	6.6	6.6	7.2
22 Savings deposits[5]	3.2	3.0	3.1	3.1	3.0	3.4	3.3	3.1	3.2

1. Historical tables containing revised data for earlier periods may be obtained from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For address, see inside front cover.

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data are available beginning December 1978.

5. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June	1988 July	1988 Aug.
	Seasonally adjusted											
1 **Total loans and securities[2]**	**2,214.7**	**2,227.6**	**2,232.1**	**2,230.6**	**2,242.4**	**2,259.8**	**2,274.8**	**2,297.7**	**2,322.5**	**2,343.9**	**2,353.5**	**2,367.2**
2 U.S. government securities	331.3	331.7	331.1	333.2	334.6	334.9	338.9	343.0	345.9	349.8	344.8	347.3
3 Other securities	193.7	194.2	196.2	196.0	193.9	195.6	197.5	198.2	197.6	198.5	199.1	199.1
4 Total loans and leases[2]	1,689.8	1,701.7	1,704.8	1,701.4	1,714.0	1,729.2	1,738.4	1,756.4	1,778.9	1,795.5	1,809.5	1,820.7
5 Commercial and industrial	559.0	562.8	563.1	565.5	568.3	571.1	569.3	578.8	587.4	594.4	600.7	601.5
6 Bankers acceptances held[3]	5.4	5.5	4.6	4.3	4.5	4.5	4.8	4.7	4.5	4.5	4.4	4.6
7 Other commercial and industrial	553.6	557.3	558.5	561.2	563.9	566.6	564.5	574.1	582.9	589.9	596.2	596.9
8 U.S. addressees[4]	545.7	549.4	551.0	553.1	554.9	557.6	556.1	565.8	575.7	583.0	589.4	590.3
9 Non-U.S. addressees[4]	7.9	7.9	7.5	8.2	9.0	8.9	8.4	8.3	7.1	7.0	6.8	6.6
10 Real estate	561.7	569.4	576.2	582.3	587.5	593.0	598.2	604.4	612.6	618.9	624.9	632.2
11 Individual	322.8	324.1	325.0	325.9	327.9	330.8	334.6	337.6	339.1	340.6	341.6	343.3
12 Security	46.1	47.1	39.3	33.4	36.3	41.3	39.9r	38.1	38.8	38.6	38.0	39.5
13 Nonbank financial institutions	31.4	31.7	31.9	31.9	32.1	32.7	32.1	31.2	31.8	31.4	31.9	31.7
14 Agricultural	29.6	29.6	29.3	29.2	29.3	29.5	29.5	29.5	29.4	29.0	28.6r	28.3
15 State and political subdivisions	54.7	54.1	53.4	51.2	52.3	52.3	52.1	51.9	51.6	51.5	51.1	50.5
16 Foreign banks	9.2	9.6	8.8	8.2	8.2	7.8	8.1	8.5	8.2	8.2	8.5	8.4
17 Foreign official institutions	5.7	5.8	5.7	5.6	5.6	5.2	5.2	5.2	5.3	5.2	5.2	5.4
18 Lease financing receivables	24.1	24.3	24.5	24.8	24.8	24.7	24.8	25.0	25.3	25.8	26.5	26.7
19 All other loans	45.4	43.1	47.6	43.3	41.6	40.9	44.6r	46.1	49.5	51.8	52.5r	53.4
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**2,211.6**	**2,222.4**	**2,231.3**	**2,247.0**	**2,255.0**	**2,264.5**	**2,275.0**	**2,298.8**	**2,319.1**	**2,340.0**	**2,343.3**	**2,355.8**
21 U.S. government securities	331.3	329.3	331.0	333.1	336.1	340.0	340.8	342.6	344.3	346.3	343.9	347.3
22 Other securities	193.8	193.3	195.6	196.6	196.5	196.3	197.1	197.8	197.7	198.0	197.9	199.0
23 Total loans and leases[2]	1,686.6	1,699.8	1,704.7	1,717.3	1,722.4	1,728.2	1,737.2	1,758.5	1,777.1	1,795.7	1,801.6	1,809.5
24 Commercial and industrial	555.7	558.7	562.0	569.6	568.0	570.3	574.5	582.8	589.8	595.9	597.8	596.3
25 Bankers acceptances held[3]	5.5	5.4	4.6	4.4	4.3	4.4	4.8	4.7	4.5	4.6	4.5	4.6
26 Other commercial and industrial	550.2	553.3	557.4	565.2	563.7	565.9	569.7	578.1	585.3	591.3	593.3	591.8
27 U.S. addressees[4]	542.1	545.3	549.3	557.1	555.5	557.4	561.5	570.0	577.9	584.2	586.0	584.8
28 Non-U.S. addressees[4]	8.1	8.1	8.1	8.1	8.2	8.5	8.1	8.1	7.3	7.1	7.3	7.0
29 Real estate	562.4	570.0	576.8	583.2	587.8	592.3	597.4	603.4	612.0	618.6	624.9	632.2
30 Individual	324.3	325.7	326.7	330.2	331.3	330.2	331.5	334.5	336.3	338.5	340.2	343.4
31 Security	44.8	45.6	39.4	35.1	37.1	39.7	39.3	39.8	39.3	40.0	37.5	37.7
32 Nonbank financial institutions	31.8	31.7	32.3	33.2	32.4	31.6	31.1	31.1	31.5	31.5	31.7	31.6
33 Agricultural	30.7	30.4	29.6	28.9	28.6	28.5	28.5	28.7	29.1	29.3	29.3r	29.1
34 State and political subdivisions	53.8	53.2	52.3	51.2	54.1	53.5	53.0	52.4	51.6	51.1	50.3	49.9
35 Foreign banks	9.5	9.8	8.8	8.6	8.4	8.0	8.0	8.1	7.9	8.1	8.5	8.2
36 Foreign official institutions	5.7	5.8	5.7	5.6	5.6	5.2	5.2	5.2	5.3	5.2	5.2	5.4
37 Lease financing receivables	24.0	23.9	24.2	24.8	25.0	24.9	25.0	25.2	25.4	26.0	26.5	26.6
38 All other loans	43.9	44.8	46.8	46.8	44.1	43.8	43.8	47.1	48.9	51.3	49.7r	49.1

1. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.
2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

	Source	1987				1988							
		Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.
	Total nondeposit funds												
1	Seasonally adjusted[2]	177.6[r]	176.8[r]	174.6[r]	178.4[r]	180.2[r]	178.1[r]	175.8[r]	183.1[r]	194.4[r]	195.1[r]	192.9	197.0
2	Not seasonally adjusted	178.0[r]	176.8[r]	176.9[r]	179.3[r]	180.6[r]	180.7[r]	176.6[r]	182.2[r]	194.1[r]	191.3[r]	188.9	197.2
	Federal funds, RPs, and other borrowings from nonbanks[3]												
3	Seasonally adjusted	165.3[r]	165.2[r]	166.7[r]	163.2[r]	171.1[r]	175.0[r]	178.9[r]	181.1[r]	184.5[r]	186.1[r]	181.7	177.9
4	Not seasonally adjusted	165.7[r]	165.3[r]	169.0[r]	164.1[r]	171.4[r]	177.6[r]	179.8[r]	180.2[r]	184.3[r]	182.4[r]	177.7	178.2
5	Net balances due to foreign-related institutions, not seasonally adjusted	12.3	11.6	7.9	15.2	9.1	3.1	−3.1	2.0	9.8	9.0	11.2	19.1
	MEMO												
6	Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	−11.8	−14.7	−17.1	−14.0	−16.5	−20.2	−25.3	−22.2	−16.4	−16.0	−13.6	−6.9
7	Gross due from balances	63.8	67.7	70.4	69.5	71.2	72.9	76.6	72.9	69.6	69.4	70.2	70.2
8	Gross due to balances	52.0	53.0	53.3	55.5	54.7	52.7	51.3	50.7	53.3	53.4	56.6	63.3
9	Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	24.1	26.3	24.9	29.2	25.6	23.3	22.1	24.2	26.2	25.0	24.8	26.0
10	Gross due from balances	77.3	79.7	83.2	79.8	85.2	87.3	88.6	88.3	89.9	93.6	94.1	93.9
11	Gross due to balances	101.4	106.0	108.2	109.0	110.9	110.6	110.7	112.4	116.1[r]	118.6[r]	118.9	119.9
	Security RP borrowings												
12	Seasonally adjusted[6]	107.7[r]	108.0[r]	107.6[r]	107.3[r]	110.1[r]	109.0[r]	109.7[r]	113.5[r]	117.7[r]	122.0[r]	119.8	117.7
13	Not seasonally adjusted	108.1[r]	108.1[r]	109.9[r]	108.2[r]	110.4[r]	111.6[r]	110.6[r]	112.6[r]	117.5[r]	118.3[r]	115.8	118.0
	U.S. Treasury demand balances[7]												
14	Seasonally adjusted	24.9	34.2	35.7	26.1	18.6	22.6	24.9	21.8	24.7	22.0	20.2	15.8
15	Not seasonally adjusted	25.5	30.7	25.8	22.4	24.9	28.2	22.3	21.7	30.4	21.0	22.0	11.9
	Time deposits, $100,000 or more[8]												
16	Seasonally adjusted	373.0	380.5	387.0	389.2	389.1	394.4	396.1	394.0	396.4	400.5	406.7	413.5
17	Not seasonally adjusted	373.2	380.4	387.0	389.3	390.1	394.7	398.2	393.9	397.1	399.8	403.9	412.8

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks. New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

These data also appear in the Board's G.10 (411) release. For address, see inside front cover.

2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars.

3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.

4. Averages of daily figures for member and nonmember banks.

5. Averages of daily data.

6. Based on daily average data reported by 122 large banks.

7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

8. Averages of Wednesday figures.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series[1]

Billions of dollars

Account	1987			1988							
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,402.4	2,389.9	2,430.5	2,416.5	2,424.1	2,444.6	2,462.9	2,469.0	2,508.7	2,503.3	2,517.2
2 Investment securities	503.8	508.0	514.4	516.0	515.4	518.3	520.3	522.5	519.8	520.8	524.6
3 U.S. government securities	316.0	317.3	321.4	323.7	323.6	324.6	328.1	330.0	326.8	328.3	331.2
4 Other	187.9	190.7	193.1	192.2	191.8	193.7	192.1	192.6	192.9	192.4	193.4
5 Trading account assets	19.6	20.3	16.9	18.2	21.9	20.3	19.6	20.3	22.1	23.9	22.8
6 Total loans	1,878.9	1,861.6	1,899.2	1,882.3	1,886.9	1,906.0	1,923.0	1,926.2	1,966.8	1,958.7r	1,969.8
7 Interbank loans	172.9	162.0	172.1	160.9	162.8	161.0	161.6	154.0	166.6	160.2	156.4
8 Loans excluding interbank	1,706.1	1,699.7	1,727.2	1,721.4	1,724.1	1,745.0	1,761.5	1,772.1	1,800.2	1,798.4	1,813.5
9 Commercial and industrial	559.7	561.1	576.4	565.4	570.4	576.9	584.1	588.7	600.3	594.7	595.0
10 Real estate	571.7	577.4	586.3	589.3	592.7	600.0	605.9	613.9	621.3	626.6	635.2
11 Individual	326.7	326.9	332.4	330.8	330.4	332.7	335.9	336.3	339.3	340.5r	345.7
12 All other	248.0	234.3	232.1	235.8	230.6	235.4	235.6	233.2	239.3	236.7	237.6
13 Total cash assets	223.5	215.2	232.5	209.7	203.3	207.9	210.8	197.0	218.2	213.6r	218.6
14 Reserves with Federal Reserve Banks	38.3	33.8	36.2	33.3	32.8	32.1	32.2	26.0	34.4	30.7	33.0
15 Cash in vault	25.0	24.0	28.5	25.8	25.1	24.8	25.4	25.4	26.5	25.9	26.5
16 Cash items in process of collection	79.0	76.1	79.9	70.7	66.8	74.1	76.4	71.6	77.2	75.8	79.8
17 Demand balances at U.S. depository institutions	32.3	32.9	36.6	31.3	30.0	31.6	30.6	29.5	31.9	31.6	31.8
18 Other cash assets	48.9	48.4	51.4	48.6	48.5	45.3	46.2	44.6	48.3	49.8	47.4
19 Other assets	186.3	187.5	184.0	177.7	178.1	189.0	185.2	182.0	189.1	182.6r	181.7
20 Total assets/total liabilities and capital	**2,812.2**	**2,792.6**	**2,847.1**	**2,803.9**	**2,805.5**	**2,841.5**	**2,859.0**	**2,848.0**	**2,916.0**	**2,899.6**	**2,917.4**
21 Deposits	1,971.2	1,974.1	2,009.1	1,969.0	1,975.0	2,004.1	2,007.2	2,004.6	2,038.3	2,045.8	2,068.9
22 Transaction deposits	598.1	592.0	623.3	576.2	567.5	587.6	595.0	578.1	602.3	597.3	608.4
23 Savings deposits	531.7	531.1	528.0	531.7	535.6	539.7	536.0	542.0	544.5	545.3	542.1
24 Time deposits	841.4	851.0	857.9	861.1	871.8	876.8	876.2	884.4	891.6	903.2	918.3
25 Borrowings	435.7	420.1	426.2	446.1	444.2	446.3	456.3	448.7	478.1	457.0r	436.0
26 Other liabilities	225.5	218.9	231.5	208.1	205.3	211.1	214.1	211.8	215.2	213.3	226.8
27 Residual (assets less liabilities)	179.8	179.5	180.4	180.7	181.0	180.0	181.4	182.9	184.5	183.6	185.8
MEMO											
28 U.S. government securities (including trading account)	329.9	331.7	332.4	337.7	340.8	340.1	342.8	345.7	343.5	345.9	348.0
29 Other securities (including trading account)	193.5	196.6	198.9	196.5	196.5	198.5	197.1	197.2	198.4	198.8	199.3
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,218.6	2,213.8	2,238.5	2,232.9	2,237.8	2,255.8	2,272.0	2,277.3	2,303.8	2,306.7r	2,318.4
31 Investment securities	478.7	482.6	488.3	488.0	487.6	490.4	493.8	495.2	492.4	492.8	496.7
32 U.S. Treasury securities	305.7	306.4	311.0	312.1	312.2	313.1	316.8	317.7	314.9	315.7	319.2
33 Other	173.0	176.2	177.3	175.9	175.4	177.2	177.0	177.6	177.5	177.0	177.5
34 Trading account assets	19.6	20.3	16.9	18.2	21.9	20.3	19.6	20.3	22.1	23.9	22.8
35 Total loans	1,720.3	1,711.0	1,733.3	1,726.6	1,728.3	1,745.1	1,758.6	1,761.8	1,789.3	1,790.0r	1,798.9
36 Interbank loans	133.3	130.5	135.3	131.4	133.4	132.2	129.0	125.5	133.5	131.2	125.7
37 Loans excluding interbank	1,587.0	1,580.4	1,598.0	1,595.2	1,595.0	1,612.9	1,629.7	1,636.3	1,655.8	1,658.8r	1,673.3
38 Commercial and industrial	470.6	472.0	479.4	472.7	475.6	480.7	487.2	488.8	492.5	490.9	489.8
39 Real estate	561.9	567.3	575.0	577.9	580.3	587.3	593.0	600.5	607.9	613.6	621.8
40 Individual	326.4	326.6	332.1	330.5	330.1	332.4	335.6	336.0	338.9	340.1	345.3
41 All other	228.1	214.6	211.6	214.1	209.0	212.5	213.9	211.0	216.5	214.2	216.4
42 Total cash assets	207.8	199.3	214.9	192.1	184.4	191.7	194.3	180.8	199.4	194.1	200.5
43 Reserves with Federal Reserve Banks	36.5	31.5	35.1	31.7	30.5	30.1	30.8	23.6	32.9	29.5	31.4
44 Cash in vault	24.9	24.0	28.4	25.7	25.1	24.7	25.4	25.4	26.4	25.9	26.4
45 Cash items in process of collection	78.4	75.7	79.5	70.2	66.3	73.6	75.9	71.1	76.6	75.2	79.2
46 Demand balances at U.S. depository institutions	30.6	31.4	34.7	29.7	28.4	30.0	29.0	27.8	30.1	29.7	30.1
47 Other cash assets	37.3	36.7	37.3	34.8	34.0	33.4	33.3	32.9	33.4	33.8	33.4
48 Other assets	130.0	123.7	127.2	118.9	121.4	126.8	125.1	121.7	129.4	123.9r	125.4
49 Total assets/liabilities and capital	**2,556.4**	**2,536.8**	**2,580.7**	**2,543.9**	**2,543.6**	**2,574.3**	**2,591.5**	**2,579.7**	**2,632.7**	**2,624.7**	**2,644.3**
50 Deposits	1,909.1	1,912.4	1,944.6	1,906.9	1,912.2	1,940.1	1,943.7	1,940.6	1,972.7	1,980.0	2,002.5
51 Transaction deposits	589.5	583.7	614.9	567.9	559.6	579.2	586.4	569.8	593.6	588.6	599.6
52 Savings deposits	529.5	528.8	525.7	529.4	533.2	537.3	533.6	539.6	541.7	542.8	539.6
53 Time deposits	790.1	799.9	804.1	809.6	819.4	823.6	823.7	831.2	837.4	848.6	863.2
54 Borrowings	345.7	323.2	331.9	347.0	344.8	343.4	351.0	344.2	362.0	346.1r	330.8
55 Other liabilities	125.0	124.8	127.0	112.5	108.8	114.0	118.5	115.2	116.7	118.2	128.4
56 Residual (assets less liabilities)	176.6	176.3	177.2	177.5	177.8	176.8	178.2	179.7	181.3	180.4	182.6

1. Back data are available from the Banking and Monetary Statistics section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551. These data also appear in the Board's weekly H.8 (510) release.

Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition reports.

2. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS[1]

Millions of dollars, Wednesday figures

Account	1988								
	July 6r	July 13r	July 20	July 27r	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
1 Cash and balances due from depository institutions	117,852	110,500	105,055	103,135	105,475	97,008	105,681	96,737	106,744
2 **Total loans, leases, and securities, net**	**1,126,695**	**1,124,558**	**1,126,221r**	**1,127,809**	**1,130,152**	**1,134,474**	**1,133,784**	**1,129,017**	**1,132,282**
3 U.S. Treasury and government agency	129,208	129,356	130,649r	130,890	130,020	129,404	131,499	130,431	130,829
4 Trading account	16,945	16,386	17,232	17,535	16,361	16,050	17,940	16,478	16,832
5 Investment account	112,263	112,971	113,417r	113,355	113,659	113,355	113,560	113,954	113,997
6 Mortgage-backed securities[2]	41,872	42,124	42,397r	42,258	42,739	42,754	42,806	43,468	43,367
All other maturing in									
7 One year or less	17,243	17,238	17,188	17,422	18,388	17,878	18,190	18,239	18,690
8 Over one through five years	43,846	44,518	45,158r	44,860	44,055	44,220	43,777	43,481	42,882
9 Over five years	9,303	9,092	8,674	8,815	8,477	8,503	8,786	8,764	9,058
10 Other securities	72,747	72,811	72,749r	72,996	73,050	72,858	72,836	72,498	72,802
11 Trading account	1,808	1,705	1,613	1,898	1,937	1,806	1,943	1,741	1,800
12 Investment account	70,939	71,105	71,136r	71,098	71,112	71,052	70,893	70,757	71,002
13 States and political subdivisions, by maturity	47,334	47,377	47,410	47,456	47,236	47,245	47,163	47,165	46,890
14 One year or less	5,207	5,176	5,141	5,160	5,331	5,326	5,324	5,345	5,430
15 Over one year	42,128	42,201	42,269	42,296	41,904	41,919	41,840	41,820	41,460
16 Other bonds, corporate stocks, and securities	23,604	23,728	23,725r	23,643	23,876	23,806	23,730	23,591	24,112
17 Other trading account assets	3,568	3,304	3,542	4,463	4,599	4,582	4,265	3,955	4,124
18 Federal funds sold[3]	68,276	70,904	69,914	71,024	70,839	75,482	71,778	69,314	68,535
19 To commercial banks	43,678	44,984	43,363	43,799	42,175	46,078	44,009	44,517	41,892
20 To nonbank brokers and dealers in securities	16,769	17,644	18,065	18,185	19,698	19,468	18,037	16,329	18,063
21 To others	7,829	8,276	8,486	9,040	8,966	9,935	9,732	8,467	8,580
22 Other loans and leases, gross	893,483	888,674	889,944r	888,893	892,143	892,759	894,032	893,367	896,607
23 Other loans, gross	871,374	866,348	867,501r	866,471	869,740	870,493	871,679	870,949	874,205
24 Commercial and industrial	301,906	298,817	299,432r	299,332	299,994	300,013	298,205	296,819	296,818
25 Bankers acceptances and commercial paper	2,180	1,994	2,000	2,008	2,011	1,985	2,017	1,882	1,904
26 All other	299,726	296,823	297,432r	297,323	297,983	298,028	296,188	294,937	294,914
27 U.S. addressees	297,194	294,287	294,901r	294,679	295,485	295,533	293,742	292,485	292,398
28 Non-U.S. addressees	2,532	2,536	2,531r	2,644	2,498	2,495	2,445	2,452	2,516
29 Real estate loans	281,437	282,750	283,016r	283,811	284,354	285,503	286,855	287,644	288,289
30 Revolving, home equity	19,067	19,180	19,270	19,367	19,494	19,614	19,754	19,856	20,001
31 All other	262,370	263,570	263,747r	264,444	264,860	265,889	267,100	267,788	268,288
32 To individuals for personal expenditures	162,479	162,494	162,817r	162,259	162,321	162,587	163,100	163,550	164,223
33 To depository and financial institutions	51,371	50,695	51,181r	50,588	52,128	51,769	52,210	52,457	51,944
34 Commercial banks in the United States	22,693	23,250	24,070r	24,211	25,424	24,290	24,832	25,555	25,236
35 Banks in foreign countries	5,262	4,664	4,667r	4,100	4,002	4,517	4,553	4,796	4,288
36 Nonbank depository and other financial institutions	23,416	22,782	22,444r	22,277	22,702	22,962	22,825	22,106	22,419
37 For purchasing and carrying securities	13,504	12,467	11,845r	12,002	12,065	12,173	12,604	12,404	13,667
38 To finance agricultural production	5,653	5,667	5,587r	5,530	5,551	5,525	5,549	5,563	5,588
39 To states and political subdivisions	30,414	30,385	30,235	30,352	30,198	30,069	30,086	30,014	30,036
40 To foreign governments and official institutions	1,972	1,944	1,967r	1,862	2,068	1,867	1,863	2,139	2,071
41 All other	22,639	21,127	21,421r	20,735	21,060	20,986	21,207	20,359	21,568
42 Lease financing receivables	22,109	22,326	22,443	22,421	22,403	22,266	22,352	22,417	22,402
43 LESS: Unearned income	4,846	4,850	4,866	4,897	4,835	4,869	4,892	4,898	4,891
44 Loan and lease reserve[4]	35,742	35,641	35,712	35,559	35,664	35,742	35,735	35,649	35,724
45 Other loans and leases, net	852,895	848,183	849,366r	848,436	851,644	852,147	853,405	852,820	855,992
46 All other assets	128,254	122,764	124,495r	123,024	124,830	124,647	121,592	121,071	123,892
47 **Total assets**	**1,372,801**	**1,357,823**	**1,355,771r**	**1,353,968**	**1,360,457**	**1,356,129**	**1,361,056**	**1,346,825**	**1,362,918**
48 Demand deposits	255,698	229,897	228,400	226,382	231,916	220,973	229,969	215,596	229,597
49 Individuals, partnerships, and corporations	198,415	185,125	180,699	177,638	181,120	176,531	183,641	170,173	184,205
50 States and political subdivisions	5,886	5,441	5,966	6,156	6,590	5,482	5,780	5,878	6,157
51 U.S. government	4,312	1,300	4,226	2,898	5,141	2,687	1,549	3,091	1,656
52 Depository institutions in the United States	27,171	21,074	21,548r	22,598	23,118	20,919	22,311	21,031	21,769
53 Banks in foreign countries	8,449	6,554	6,627	6,988	6,246	6,377	7,031	6,130	7,169
54 Foreign governments and official institutions	886	640	980	856	801	700	786	791	695
55 Certified and officers' checks	10,577	9,762	8,354	9,246	8,899	8,278	8,869	8,501	7,945
56 Transaction balances other than demand deposits	74,449	72,863	72,364	71,614	74,354	73,376	72,949	71,959	73,511
57 Nontransaction balances	601,690	603,004	602,832	604,191	605,876	607,036	607,137	608,571	609,987
58 Individuals, partnerships, and corporations	563,415	564,214	564,026r	564,767	566,518	567,482	567,210	568,182	569,668
59 States and political subdivisions	27,920	28,247	28,436	28,822	29,039	29,102	29,510	29,876	29,739
60 U.S. government	1,038	1,048	1,041	1,061	1,055	1,060	1,007	985	987
61 Depository institutions in the United States	8,503	8,700	8,516r	8,714	8,454	8,573	8,596	8,712	8,775
62 Foreign governments, official institutions, and banks	813	795	813	826	810	818	813	816	818
63 Liabilities for borrowed money	269,307	277,453	274,330r	273,662	267,562	272,765	268,587	265,942	264,419
64 Borrowings from Federal Reserve Banks	2,600	8,732	2,625	2,815	2,314	2,450	2,725	2,663	2,600
65 Treasury tax-and-loan notes	7,653	12,241	14,708	16,059	4,344	2,580	5,048	5,855	6,750
66 All other liabilities for borrowed money[5]	259,054	256,480	256,997r	254,787	260,903	267,735	260,814	257,424	255,068
67 Other liabilities and subordinated notes and debentures	82,824	85,107	88,427	89,084	90,033	91,038	91,385	93,407	93,665
68 **Total liabilities**	**1,283,968**	**1,268,325**	**1,266,353r**	**1,264,932**	**1,269,741**	**1,265,188**	**1,270,028**	**1,255,474**	**1,271,179**
69 Residual (total assets minus total liabilities)[6]	88,833	89,497	89,418	89,036	90,716	90,941	91,028	91,351	91,739
MEMO									
70 Total loans and leases (gross) and investments adjusted[7]	1,100,912	1,096,815	1,099,366r	1,100,256	1,103,051	1,104,718	1,105,569	1,099,492	1,105,768
71 Total loans and leases (gross) adjusted[7]	895,388	891,344	892,426r	891,907	895,383	897,873	896,969	892,608	898,013
72 Time deposits in amounts of $100,000 or more	182,938	184,174	184,557r	186,571	186,994	188,404	188,468	189,954	191,036
73 U.S. Treasury securities maturing in one year or less	16,670	16,005	16,709	17,258	17,296	17,139	18,489	17,750	19,417
74 Loans sold outright to affiliates—total[8]	1,509	1,486	1,476	1,424	1,373	1,387	1,419	1,251	1,295
75 Commercial and industrial	1,054	1,031	1,020	968	918	933	965	798	843
76 Other	455	455	456	456	454	454	454	454	452
77 Nontransaction savings deposits (including MMDAs)	255,540	255,085	254,140	253,128	254,128	253,723	253,317	252,299	252,236

1. Beginning Jan. 6, 1988, the "Large bank" reporting group was revised somewhat, eliminating some former reporters with less than $2 billion of assets and adding some new reporters with assets greater than $3 billion.
2. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
3. Includes securities purchased under agreements to resell.
4. Includes allocated transfer risk reserve.
5. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
6. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
7. Exclusive of loans and federal funds transactions with domestic commercial banks.
8. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

1.28 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY[1]

Millions of dollars, Wednesday figures

Account	1988								
	July 6	July 13	July 20	July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
1 Cash balances due from depository institutions	26,919	27,251	24,432	22,474	22,272	21,024	23,592	21,663	21,672
2 **Total loans, leases and securities, net**[2]	**215,109**	**218,565**	**218,904**	**217,776**	**217,880**	**219,726**	**218,896**	**215,940**	**217,470**
Securities									
3 U.S. Treasury and government agency[3]	0	0	0	0	0	0	0	0	0
4 Trading account[3]	0	0	0	0	0	0	0	0	0
5 Investment account	14,586	14,638	14,771	14,785	14,701	14,582	14,646	14,618	14,615
6 Mortgage-backed securities[4]	5,509	5,748	5,724	5,669	5,551	5,548	5,681	5,717	5,662
All other maturing in									
7 One year or less	2,220	2,187	2,187	2,285	2,366	2,236	2,290	2,289	2,274
8 Over one through five years	4,678	4,747	4,816	4,816	4,809	4,821	4,707	4,660	4,664
9 Over five years	2,180	1,956	2,044	2,014	1,974	1,976	1,969	1,951	2,015
10 Other securities[3]	0	0	0	0	0	0	0	0	0
11 Trading account[3]	0	0	0	0	0	0	0	0	0
12 Investment account	16,304	16,484	16,488	16,529	16,648	16,663	16,580	16,438	16,665
13 States and political subdivisions, by maturity	12,620	12,713	12,739	12,774	12,821	12,815	12,857	12,759	12,770
14 One year or less	907	925	929	930	1,121	1,124	1,118	1,125	1,127
15 Over one year	11,713	11,788	11,811	11,844	11,700	11,691	11,739	11,634	11,643
16 Other bonds, corporate stocks, and securities	3,684	3,771	3,748	3,756	3,827	3,849	3,722	3,679	3,895
17 Other trading account assets[3]	0	0	0	0	0	0	0	0	0
Loans and leases									
18 Federal funds sold[5]	26,762	31,628	31,641	31,313	29,998	31,606	31,265	28,995	28,923
19 To commercial banks	12,495	15,985	15,497	14,538	13,227	14,050	14,357	14,137	13,116
20 To nonbank brokers and dealers in securities	8,918	10,015	10,529	10,748	10,936	10,894	10,374	9,231	10,180
21 To others	5,349	5,628	5,615	6,026	5,834	6,662	6,534	5,627	5,626
22 Other loans and leases, gross	172,531	170,845	171,073	170,159	171,519	171,960	171,445	170,946	172,362
23 Other loans, gross	167,214	165,350	165,567	164,685	166,032	166,606	166,038	165,524	166,924
24 Commercial and industrial	57,634	57,103	57,952	57,779	57,672	58,100	56,899	55,748	56,268
25 Bankers acceptances and commercial paper	539	461	445	484	390	405	418	393	444
26 All other	57,095	56,642	57,507	57,294	57,283	57,695	56,480	55,354	55,825
27 U.S. addressees	56,689	56,226	57,078	56,760	56,850	57,266	56,071	54,908	55,360
28 Non-U.S. addressees	406	417	430	535	433	429	409	447	465
29 Real estate loans	47,265	47,523	47,359	47,680	47,797	47,947	48,380	48,805	48,874
30 Revolving, home equity	3,008	3,022	3,036	3,055	3,076	3,097	3,109	3,119	3,135
31 All other	44,257	44,501	44,322	44,625	44,721	44,849	45,271	45,686	45,739
32 To individuals for personal expenditures	20,867	20,804	20,910	20,945	20,945	20,980	21,067	20,898	20,986
33 To depository and financial institutions	22,506	21,433	21,328	20,448	21,622	21,324	21,710	22,269	21,338
34 Commercial banks in the United States	12,676	12,354	12,124	12,003	12,930	11,970	12,318	13,084	12,498
35 Banks in foreign countries	3,352	2,818	2,850	2,163	2,148	2,646	2,742	2,889	2,520
36 Nonbank depository and other financial institutions	6,478	6,261	6,354	6,282	6,544	6,708	6,650	6,295	6,320
37 For purchasing and carrying securities	5,322	4,958	4,490	4,628	4,860	4,786	5,036	4,777	5,782
38 To finance agricultural production	290	299	206	203	201	188	201	210	215
39 To states and political subdivisions	6,763	6,754	6,716	6,743	6,704	6,762	6,748	6,737	6,727
40 To foreign governments and official institutions	525	627	653	559	711	504	482	754	707
41 All other	6,042	5,848	5,953	5,701	5,519	6,015	5,514	5,327	6,026
42 Lease financing receivables	5,317	5,495	5,506	5,474	5,487	5,354	5,407	5,421	5,439
43 LESS: Unearned income	1,501	1,516	1,535	1,553	1,528	1,550	1,567	1,579	1,572
44 Loan and lease reserve	13,574	13,514	13,533	13,456	13,457	13,536	13,473	13,477	13,524
45 Other loans and leases, net[6]	157,456	155,815	156,004	155,150	156,534	156,874	156,404	155,889	157,266
46 All other assets[7]	59,052	54,830	56,038	57,589	56,457	56,310	57,095	55,243	56,265
47 **Total assets**	**301,079**	**300,646**	**299,374**	**297,839**	**296,610**	**297,059**	**299,583**	**292,846**	**295,407**
Deposits									
48 Demand deposits	65,389	55,557	56,398	55,264	53,406	52,778	56,444	52,250	54,954
49 Individuals, partnerships, and corporations	44,368	39,221	39,513	37,351	36,819	37,176	39,266	35,875	39,495
50 States and political subdivisions	791	638	917	695	739	530	577	690	586
51 U.S. government	846	168	751	541	1,025	471	215	583	173
52 Depository institutions in the United States	6,802	5,024	5,743	6,214	5,795	5,319	6,175	5,862	5,612
53 Banks in foreign countries	7,112	5,337	5,365	5,787	4,928	5,248	5,874	5,019	6,052
54 Foreign governments and official institutions	686	478	834	711	659	563	648	638	527
55 Certified and officers' checks	4,783	4,689	3,275	3,965	3,442	3,470	3,688	3,582	2,508
56 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	8,920	8,788	8,681	8,579	8,802	8,662	8,665	8,468	8,599
57 Nontransaction balances	106,055	105,714	105,829	106,336	107,056	105,989	105,741	106,185	106,131
58 Individuals, partnerships, and corporations	97,584	96,843	97,038	97,240	97,829	96,887	96,515	96,928	96,772
59 States and political subdivisions	6,304	6,668	6,720	6,868	7,007	6,880	7,003	6,976	6,942
60 U.S. government	41	40	34	37	30	35	41	39	29
61 Depository institutions in the United States	1,808	1,858	1,734	1,877	1,881	1,874	1,873	1,929	2,066
62 Foreign governments, official institutions, and banks	318	303	302	313	309	313	309	312	321
63 Liabilities for borrowed money	65,354	72,389	67,731	67,496	65,400	67,426	65,985	62,670	60,242
64 Borrowings from Federal Reserve Banks	0	3,815	0	0	0	0	0	0	0
65 Treasury tax-and-loan notes	1,480	3,112	4,221	5,083	1,139	547	1,520	1,858	2,034
66 All other liabilities for borrowed money[8]	63,874	65,462	63,510	62,413	64,261	66,879	64,465	60,811	58,208
67 Other liabilities and subordinated notes and debentures	29,849	32,281	34,890	34,737	35,934	36,219	36,684	37,148	39,327
68 **Total liabilities**	**275,567**	**274,728**	**273,529**	**272,412**	**270,600**	**271,073**	**273,520**	**266,721**	**269,252**
69 Residual (total assets minus total liabilities)[9]	25,512	25,918	25,845	25,427	26,010	25,986	26,063	26,125	26,154
MEMO									
70 Total loans and leases (gross) and investments adjusted[2,10]	205,014	205,256	206,352	206,245	206,708	208,792	207,262	203,775	206,951
71 Total loans and leases (gross) adjusted[10]	174,123	174,134	175,093	174,931	175,359	177,546	176,035	172,720	175,671
72 Time deposits in amounts of $100,000 or more	37,485	37,681	37,844	38,751	38,882	38,394	38,260	38,491	38,341
73 U.S. Treasury securities maturing in one year or less	3,472	2,831	3,222	3,774	3,090	3,119	4,012	3,570	4,538

1. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Excludes trading account securities.
3. Not available due to confidentiality.
4. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
5. Includes securities purchased under agreements to resell.
6. Includes allocated transfer risk reserve.
7. Includes trading account securities.
8. Includes federal funds purchased and securities sold under agreements to repurchase.
9. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
10. Exclusive of loans and federal funds transactions with domestic commercial banks.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1988								
	July 6	July 13	July 20	July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
1 Cash and due from depository institutions	11,219	11,720	10,893	11,441	10,749	10,635	10,640	10,989	10,745
2 Total loans and securities	110,308	109,191	107,888	106,775	105,905	108,489	109,912	107,662	108,076
3 U.S. Treasury and government agency securities	7,831	8,000	8,282	8,562	8,360	8,456	8,718	8,184	8,062
4 Other securities	7,566	7,561	7,570	7,496	7,496	7,475	7,413	7,412	7,731
5 Federal funds sold[2]	8,113	8,691	8,570	8,609	7,420	8,956	9,643	9,295	8,785
6 To commercial banks in the United States	5,826	6,166	6,319	6,428	5,159	6,177	7,440	6,967	6,726
7 To others	2,286	2,525	2,251	2,182	2,261	2,778	2,204	2,328	2,058
8 Other loans, gross	86,798	84,939	83,466	82,107	82,629	83,603	84,137	82,770	83,498
9 Commercial and industrial	58,562	57,150	56,149	55,548	55,456	56,590	56,983	55,981	56,387
10 Bankers acceptances and commercial paper	1,712	1,702	1,509	1,609	1,510	1,498	1,630	1,768	1,769
11 All other	56,851	55,448	54,640	53,938	53,945	55,092	55,353	54,213	54,618
12 U.S. addressees	54,799	53,374	52,456	51,955	52,012	53,241	53,368	52,347	52,653
13 Non-U.S. addressees	2,052	2,074	2,184	1,983	1,934	1,851	1,986	1,866	1,965
14 To financial institutions	15,845	15,662	15,023	14,834	15,138	15,313	15,106	15,153	15,324
15 Commercial banks in the United States	11,465	11,307	10,772	10,731	11,058	11,340	10,805	11,073	11,149
16 Banks in foreign countries	991	1,039	999	1,006	898	868	891	900	824
17 Nonbank financial institutions	3,389	3,316	3,252	3,097	3,182	3,105	3,410	3,180	3,351
18 To foreign governments and official institutions	590	574	533	640	637	659	754	660	639
19 For purchasing and carrying securities	1,851	1,690	1,644	1,347	1,730	1,261	1,396	1,365	1,265
20 All other	9,950	9,862	10,117	9,739	9,668	9,780	9,897	9,610	9,882
21 Other assets (claims on nonrelated parties)	32,292	31,929	32,361	31,383	31,818	31,353	31,855	31,222	31,839
22 Net due from related institutions	16,366	16,804	16,317	15,146	16,974	15,325	15,666	16,671	13,836
23 Total assets	170,185	169,644	167,460	164,745	165,446	165,802	168,072	166,544	164,496
24 Deposits or credit balances due to other than directly related institutions	42,793	42,689	42,575	42,903	43,677	43,512	43,181	43,118	42,506
25 Transaction accounts and credit balances[3]	4,167	3,731	3,601	3,591	4,225	3,622	3,550	3,374	3,352
26 Individuals, partnerships, and corporations	2,481	2,288	2,324	2,320	2,630	2,381	2,391	2,295	2,259
27 Other	1,686	1,443	1,277	1,271	1,595	1,242	1,159	1,079	1,093
28 Nontransaction accounts[4]	38,626	38,959	38,974	39,311	39,452	39,889	39,632	39,743	39,153
29 Individuals, partnerships, and corporations	31,551	31,693	31,572	31,718	32,087	32,656	32,268	32,346	32,037
30 Other	7,075	7,266	7,402	7,593	7,366	7,233	7,363	7,397	7,116
31 Borrowings from other than directly related institutions	69,383	70,599	69,177	66,194	66,570	66,260	66,030	66,821	63,316
32 Federal funds purchased[5]	32,896	33,842	31,121	27,896	28,503	28,523	29,585	29,957	24,961
33 From commercial banks in the United States	19,407	16,837	15,544	13,900	13,145	15,353	14,973	14,213	10,944
34 From others	13,489	17,005	15,577	13,996	15,359	13,170	14,611	15,744	14,017
35 Other liabilities for borrowed money	36,486	36,757	38,056	38,298	38,066	37,737	36,445	36,864	38,355
36 To commercial banks in the United States	25,959	26,861	27,686	27,871	27,508	27,163	26,046	26,684	27,533
37 To others	10,528	9,896	10,370	10,427	10,558	10,574	10,399	10,180	10,822
38 Other liabilities to nonrelated parties	33,624	33,395	33,945	33,029	33,168	32,981	33,445	32,492	32,914
39 Net due to related institutions	24,386	22,960	21,763	22,619	22,030	23,049	25,417	24,114	25,760
40 Total liabilities	170,185	169,644	167,460	164,745	165,446	165,802	168,072	166,544	164,496
MEMO									
41 Total loans (gross) and securities adjusted[6]	93,017	91,718	90,797	89,616	89,688	90,972	91,666	89,621	90,201
42 Total loans (gross) adjusted[6]	77,619	76,157	74,944	73,558	73,832	75,041	75,536	74,024	74,407

1. Effective Jan. 1, 1986, the reporting panel includes 65 U.S. branches and agencies of foreign banks that include those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Includes securities purchased under agreements to resell.
3. Includes credit balances, demand deposits, and other checkable deposits.
4. Includes savings deposits, money market deposit accounts, and time deposits.
5. Includes securities sold under agreements to repurchase.
6. Exclusive of loans to and federal funds sold to commercial banks in the United States.

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances, not seasonally adjusted

Type of holder	Commercial banks									
	1983 Dec.	1984 Dec.	1985 Dec.[3,4]	1986 Dec.	1987				1988	
					Mar.	June	Sept.	Dec.	Mar.	June[r]
1 **All holders—Individuals, partnerships, and corporations**	**293.5**	**302.7**	**321.0**	**363.6**	**335.9**	**340.2**	**339.0**	**343.5**	**328.6**	**346.5**
2 Financial business	32.8	31.7	32.3	41.4	35.9	36.6	36.5	36.3	33.9	37.2
3 Nonfinancial business	161.1	166.3	178.5	202.0	183.0	187.2	188.2	191.9	184.1	194.3
4 Consumer	78.5	81.5	85.5	91.1	88.9	90.1	88.7	90.0	86.9	89.8
5 Foreign	3.3	3.6	3.5	3.3	2.9	3.2	3.2	3.4	3.5	3.4
6 Other	17.8	19.7	21.2	25.8	25.2	23.1	22.4	21.9	20.3	21.9
	Weekly reporting banks									
	1983 Dec.	1984 Dec.[2]	1985 Dec.[3,4]	1986 Dec.	1987				1988	
					Mar.	June	Sept.	Dec.	Mar.[5]	June
7 **All holders—Individuals, partnerships, and corporations**	**146.2**	**157.1**	**168.6**	**195.1**	**178.1**	**179.3**	**179.1**	**183.8**	**181.8**	**191.5**
8 Financial business	24.2	25.3	25.9	32.5	28.7	29.3	29.3	28.6	27.0	30.0
9 Nonfinancial business	79.8	87.1	94.5	106.4	94.4	94.8	96.0	100.0	98.2	103.1
10 Consumer	29.7	30.5	33.2	37.5	36.8	37.5	37.2	39.1	41.7	42.3
11 Foreign	3.1	3.4	3.1	3.3	2.8	3.1	3.1	3.3	3.4	3.3
12 Other	9.3	10.9	12.0	15.4	15.5	14.6	13.5	12.7	11.4	12.8

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466. Figures may not add to totals because of rounding.

2. Beginning in March 1984, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1983 based on the new weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other 9.5.

3. Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is $5.0 billion at all insured commercial banks and $3.0 billion at weekly reporting banks.

4. Historical data back to March 1985 have been revised to account for corrections of bank reporting errors. Historical data before March 1985 have not been revised, and may contain reporting errors. Data for all commercial banks for March 1985 were revised as follows (in billions of dollars): all holders, −.3; financial business, −.8; nonfinancial business, −.4; consumer, .9; foreign, .1; other, −.1. Data for weekly reporting banks for March 1985 were revised as follows (in billions of dollars): all holders, −.1; financial business, −.7; nonfinancial business, −.5; consumer, 1.1; foreign, .1; other, −.2.

5. Beginning March 1988, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1987 based on the new weekly reporting panel are: financial business, 29.4; nonfinancial business, 105.1; consumer, 41.1; foreign, 3.4; other, 13.1.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May[r]	1988 June	1988 July
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**187,658**	**237,586**	**298,779**	**329,991**	**357,129**	**388,893**	**391,305**	**406,484**	**414,312**	**417,788**	**423,229**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	44,455	56,485	78,443	101,072	101,958	125,914	128,680	133,946	137,838	142,322[r]	148,125
3 Bank-related (not seasonally adjusted)	2,441	2,035	1,602	2,265	1,428	1,724	1,371	1,093	1,422	1,448	1,340
Directly placed paper[3]											
4 Total	97,042	110,543	135,320	151,820	173,939	174,595	173,316	180,119	185,876	184,658	184,783
5 Bank-related (not seasonally adjusted)	35,566	42,105	44,778	40,860	43,173	43,987	43,681	45,703	47,719	45,294	44,975
6 Nonfinancial companies[4]	46,161	70,558	85,016	77,099	81,232	88,384	89,309	92,419	90,598	90,808	90,321
	Bankers dollar acceptances (not seasonally adjusted)[5]										
7 **Total**	**78,309**	**78,364**	**68,413**	**64,974**	**70,565**	**62,419**	**63,454**	**64,111**	**63,381**	**64,359[r]**	**63,240**
Holder											
8 Accepting banks	9,355	9,811	11,197	13,423	10,943	9,629	10,243	10,295	9,412	9,734[r]	9,655
9 Own bills	8,125	8,621	9,471	11,707	9,464	8,561	8,825	8,929	8,588	8,861[r]	8,702
10 Bills bought	1,230	1,191	1,726	1,716	1,479	1,067	1,417	1,366	825	873	953
Federal Reserve Banks											
11 Own account	418	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	729	671	937	1,317	965	833	795	803	1,050	1,273	1,114
13 Others	67,807	67,881	56,279	50,234	58,658	51,958	52,417	53,013	52,918	53,351[r]	52,471
Basis											
14 Imports into United States	15,649	17,845	15,147	14,670	16,483	14,354	14,575	14,735	14,045	14,244	14,001
15 Exports from United States	16,880	16,305	13,204	12,960	15,227	13,891	13,899	14,724	14,537	14,606	14,676
16 All other	45,781	44,214	40,062	37,344	38,855	34,173	34,980	34,652	34,803	35,509[r]	34,564

1. Institutions engaged primarily in activities such as, but not limited to, commercial savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Beginning January 1988, the number of respondents in the bankers acceptance survey were reduced from 155 to 111 institutions—those with $100 million or more in total acceptances. The new reporting group accounts for over 90 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per year

Effective date	Rate	Month	Average rate	Month	Average rate	Month	Average rate
1985—Jan. 15	10.50	1985—Jan.	10.61	1986—July	8.16	1988—Jan.	8.75
May 20	10.00	Feb.	10.50	Aug.	7.90	Feb.	8.51
June 18	9.50	Mar.	10.50	Sept.	7.50	Mar.	8.50
		Apr.	10.50	Oct.	7.50	Apr.	8.50
1986—Mar. 7	9.00	May	10.31	Nov.	7.50	May	8.84
Apr. 21	8.50	June	9.78	Dec.	7.50	June	9.00
July 11	8.00	July	9.50			July	9.29
Aug. 26	7.50	Aug.	9.50	1987—Jan.	7.50	Aug.	9.84
		Sept.	9.50	Feb.	7.50		
1987—Apr. 1	7.75	Oct.	9.50	Mar.	7.50		
May 1	8.00	Nov.	9.50	Apr.	7.75		
15	8.25	Dec.	9.50	May	8.14		
Sept. 4	8.75			June	8.25		
Oct. 7	9.25	1986—Jan.	9.50	July	8.25		
22	9.00	Feb.	9.50	Aug.	8.25		
Nov. 5	8.75	Mar.	9.10	Sept.	8.70		
		Apr.	8.83	Oct.	9.07		
1988—Feb. 2	8.50	May	8.50	Nov.	8.78		
May 11	9.00	June	8.50	Dec.	8.75		
July 14	9.50						
Aug. 11	10.00						

NOTE. These data also appear in the Board's H.15 (519) release. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per year; weekly and monthly figures are averages of business day data unless otherwise noted.

Instrument	1985	1986	1987	1988 May	1988 June	1988 July	1988 Aug.	1988, week ending July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26
MONEY MARKET RATES												
1 Federal funds[1,2]	8.10	6.80	6.66	7.09	7.51	7.75	8.01	7.80	7.84	7.75	8.19	8.02
2 Discount window borrowing[1,2,3]	7.69	6.32	5.66	6.00	6.00	6.00	6.37	6.00	6.00	6.14	6.50	6.50
Commercial paper[4,5]												
3 1-month	7.93	6.61	6.74	7.07	7.41	7.72	8.09	7.82	7.85	8.04	8.23	8.18
4 3-month	7.95	6.49	6.82	7.19	7.49	7.82	8.26	7.95	8.00	8.21	8.39	8.36
5 6-month	8.00	6.39	6.85	7.31	7.53	7.90	8.36	8.07	8.08	8.33	8.49	8.48
Finance paper, directly placed[4,5]												
6 1-month	7.90	6.57	6.61	6.96	7.23	7.62	7.96	7.76	7.76	7.95	8.13	8.07
7 3-month	7.77	6.38	6.54	7.00	7.25	7.55	7.95	7.70	7.75	7.85	8.07	8.06
8 6-month	7.74	6.31	6.37	6.75	7.01	7.19	7.57	7.28	7.34	7.47	7.69	7.69
Bankers acceptances[5,6]												
9 3-month	7.91	6.38	6.75	7.12	7.38	7.77	8.19	7.92	7.94	8.15	8.31	8.30
10 6-month	7.95	6.28	6.78	7.25	7.41	7.85	8.30	8.02	8.02	8.28	8.41	8.42
Certificates of deposit, secondary market[7]												
11 1-month	7.96	6.61	6.75	7.04	7.41	7.73	8.08	7.82	7.85	8.01	8.21	8.18
12 3-month	8.04	6.51	6.87	7.24	7.51	7.94	8.35	8.08	8.10	8.28	8.49	8.48
13 6-month	8.24	6.50	7.01	7.52	7.69	8.18	8.66	8.38	8.37	8.59	8.79	8.82
14 Eurodollar deposits, 3-month[8]	8.28	6.71	7.06	7.40	7.61	8.09	8.47	8.24	8.25	8.29	8.59	8.56
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	7.47	5.97	5.78	6.26	6.46	6.73	7.06	6.93	6.89	6.98	7.03	7.20
16 6-month	7.65	6.02	6.03	6.56	6.71	6.99	7.39	7.12	7.13	7.39	7.52	7.48
17 1-year	7.81	6.07	6.33	6.90	6.99	7.22	7.59	7.31	7.34	7.59	7.68	7.69
Auction average[10]												
18 3-month	7.47	5.98	5.82	6.27	6.50	6.73	7.02	6.88	6.89	6.94	7.05	7.18
19 6-month	7.64	6.03	6.05	6.53	6.76	6.97	7.36	7.09	7.15	7.26	7.51	7.51
20 1-year	7.80	6.18	6.33	6.74	7.08	7.04	7.40	n.a.	7.40	n.a.	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	8.42	6.45	6.77	7.40	7.49	7.75	8.17	7.85	7.89	8.17	8.27	8.28
22 2-year	9.27	6.86	7.42	8.00	8.03	8.28	8.63	8.39	8.36	8.61	8.73	8.75
23 3-year	9.64	7.06	7.68	8.24	8.22	8.44	8.77	8.56	8.52	8.76	8.85	8.89
24 5-year	10.12	7.30	7.94	8.58	8.49	8.66	8.94	8.74	8.67	8.94	9.05	9.06
25 7-year	10.50	7.54	8.23	8.89	8.78	8.91	9.13	8.97	8.90	9.13	9.22	9.24
26 10-year	10.62	7.67	8.39	9.09	8.92	9.06	9.26	9.12	9.04	9.27	9.36	9.36
27 20-year	10.97	7.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 30-year	10.79	7.78	8.59	9.23	9.00	9.14	9.32	9.22	9.11	9.30	9.42	9.42
Composite[13]												
29 Over 10 years (long-term)	10.75	8.14	8.64	9.24	9.04	9.20	9.33	9.24	9.14	9.35	9.44	9.43
State and local notes and bonds												
Moody's series[14]												
30 Aaa	8.60	6.95	7.14	7.56	7.51	7.50	7.51	7.48	7.48	7.48	7.48	7.60
31 Baa	9.58	7.76	8.17	7.90	7.86	7.86	7.89	7.80	7.75	7.90	7.90	8.00
32 *Bond Buyer* series[15]	9.11	7.32	7.64	7.90	7.78	7.76	7.79	7.76	7.69	7.83	7.85	7.80
Corporate bonds												
Seasoned issues[16]												
33 All industries	12.05	9.71	9.91	10.37	10.36	10.47	10.58	10.55	10.51	10.57	10.62	10.63
34 Aaa	11.37	9.02	9.38	9.90	9.86	9.96	10.11	10.03	10.00	10.10	10.15	10.16
35 Aa	11.82	9.47	9.68	10.10	10.13	10.26	10.37	10.34	10.28	10.35	10.41	10.43
36 A	12.28	9.95	9.99	10.41	10.42	10.55	10.63	10.63	10.59	10.62	10.67	10.66
37 Baa	12.72	10.39	10.58	11.04	11.00	11.11	11.21	11.20	11.16	11.20	11.23	11.25
38 A-rated, recently offered utility bonds[17]	12.06	9.61	9.95	10.61	10.41	10.40	10.45	10.41	10.31	10.53	10.50	10.51
MEMO: Dividend/price ratio[18]												
39 Preferred stocks	10.44	8.76	8.37	9.25	9.32	9.34	9.39	9.36	9.41	9.34	9.36	9.36
40 Common stocks	4.25	3.48	3.08	3.80	3.58	3.65	3.75	3.75	3.60	3.77	3.79	3.79

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than in an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1985	1986	1987	1987	1988							
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	108.09	136.00	161.70	134.88	140.55	145.13	149.88	148.46	144.99	152.72	152.12	149.25
2 Industrial	123.79	155.85	195.31	162.19	168.47	173.44	181.57	181.01	176.02	184.92	184.09	179.72
3 Transportation	104.11	119.87	140.39	115.85	121.20	126.09	135.15	133.40	127.63	136.02	136.49	132.52
4 Utility	56.75	71.36	74.29	67.39	70.01	72.89	71.16	69.35	68.66	72.25	71.49	70.67
5 Finance	114.21	147.19	146.48	111.47	119.40	124.36	125.27	121.66	120.35	129.04	129.99	130.77
6 Standard & Poor's Corporation (1941–43 = 10)[1]	186.84	236.34	286.83	240.96	250.48	258.13	265.74	262.61	256.12	270.68	269.05	263.73
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	229.10	264.38	316.61	248.52	267.29	276.54	295.78	300.43	296.30	306.13	307.48	297.76
Volume of trading (thousands of shares)												
8 New York Stock Exchange	109,191	141,385	188,647	178,517	174,755	184,688	176,189	162,518	153,906	195,772	166,916	144,668
9 American Stock Exchange	8,355	11,846	13,832	13,422	9,853	9,961	12,442	10,706	8,931	11,348	9,938	9,307
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker-dealers**[3]	**28,390**	**36,840**	**31,990**	**31,990**	**31,320**	**31,990**	**32,660**	**33,270**	**33,070**	**32,300**	**31,770**	**31,930**
Free credit balances at brokers[4]												
11 Margin-account[5]	2,715	4,880	4,750	4,750	4,675	4,555	4,615	4,395	4,380	4,580	4,485	4,655
12 Cash-account	12,840	19,000	15,640	15,640	15,270	14,695	14,355	13,965	14,150	14,460	14,340	14,045

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. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. New series beginning June 1984.
6. These regulations, adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market-value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1985	1986	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June
						FSLIC-insured institutions						
1 **Assets**	**1,070,012**	**1,163,851**	**1,218,829**	**1,239,883**	**1,246,983**	**1,250,855**	**1,254,781r**	**1,257,363r**	**1,261,428r**	**1,274,312r**	**1,285,167r**	**1,290,032**
2 Mortgages	690,717	697,451	708,433	713,488	717,933	721,593	722,950r	723,856r	725,515r	728,877r	733,446r	737,098
3 Mortgage-backed securities	115,525	158,193	191,829	197,131	200,039	201,828	201,604	197,676	197,560r	202,231r	204,712r	207,546
4 Contra-assets to mortgage assets[1]	45,219	41,799	42,438	42,182	41,396	42,344	41,282r	40,824r	41,255r	39,326r	39,730r	40,040
5 Commercial loans	17,424	23,683	23,300	23,256	23,294	23,163	23,580r	23,340r	24,131r	24,358r	24,324r	24,740
6 Consumer loans	45,809	51,622	56,118	56,548	57,465	57,902	58,336	58,681	58,380r	59,115r	60,240	61,135
7 Contra-assets to nonmortgage loans[2]	2,521	3,041	3,442	3,373	3,430	3,467	3,580r	3,524	3,628r	3,512r	3,396r	3,512
8 Cash and investment securities	143,538	164,844	164,034	173,121	170,713	169,717	169,937	174,099r	176,495r	178,713r	179,585r	177,589
9 Other[3]	104,739	112,898	120,995	121,894	122,367	122,462	123,278r	124,060r	124,230r	124,396r	125,986r	125,476
10 **Liabilities and net worth**	**1,070,012**	**1,163,851**	**1,218,829**	**1,239,883**	**1,246,983**	**1,250,855**	**1,254,781r**	**1,257,363r**	**1,261,428r**	**1,274,312r**	**1,285,167r**	**1,290,032**
11 Savings capital	843,932	890,664	908,907	916,843	922,340	932,616	939,079	946,790	958,470	962,250	963,685r	966,677
12 Borrowed money	157,666	196,929	234,941	246,370	247,461	249,917	245,967r	239,332r	237,467	244,764r	250,466r	257,105
13 FHLBB	84,390	100,025	106,250	109,736	111,283	116,363	114,053	112,725	112,388	113,029	114,994	117,213
14 Other	73,276	96,904	128,691	136,634	136,178	133,554	131,914r	126,607r	125,079	131,735r	135,472r	139,892
15 Other	21,756	23,975	24,599	27,098	27,404	21,941	23,871	25,816	22,496r	24,605r	27,168r	24,574
16 Net worth	46,657	52,282	50,382	49,573	49,777	46,382	45,864r	45,425r	42,995r	42,694r	43,849r	41,676
						FSLIC-insured federal savings banks						
17 **Assets**	**131,868**	**210,562**	**272,834**	**276,560**	**279,221**	**284,272**	**284,303**	**295,952**	**307,758**	**311,424**	**323,018**	**329,776**
18 Mortgages	72,355	113,638	156,705	158,507	161,014	164,013	163,915	171,592	178,142	180,464	186,681	190,906
19 Mortgage-backed securities	15,676	29,766	44,421	45,117	45,237	45,826	46,171	46,687	48,004	49,231	51,247	52,244
20 Contra-assets to mortgage assets[1]	.....	.....	8,700	8,787	8,809	9,100	8,909	9,175	9,458	9,344	9,720	10,055
21 Commercial loans	.....	.....	6,188	6,275	6,540	6,504	6,496	6,971	7,503	7,663	7,774	8,062
22 Consumer loans	8,361	13,180	16,582	16,563	17,343	17,696	17,649	18,795	19,137	19,610	20,417	21,139
23 Contra-assets to nonmortgage loans[2]	.....	.....	702	690	712	678	698	737	800	724	708	728
24 Finance leases plus interest	.....	.....	552	550	566	591	604	584	611	615	652	709
25 Cash and investment	.....	.....	33,589	34,902	33,965	35,347	34,645	35,718	38,199	38,288	39,917	40,250
26 Other	11,723	19,034	24,199	24,122	24,078	24,070	24,428	25,516	26,418	25,822	26,757	27,251
27 **Liabilities and net worth**	**131,868**	**210,562**	**272,834**	**276,560**	**279,221**	**284,272**	**284,303**	**295,952**	**307,758**	**311,424**	**323,018**	**329,776**
28 Savings capital	103,462	157,872	195,213	197,298	199,114	203,196	204,329	214,169	224,168	226,469	232,582	236,677
29 Borrowed money	19,323	37,329	56,549	57,551	58,277	60,716	59,206	59,704	61,553	62,555	66,805	69,327
30 FHLBB	10,510	19,897	26,287	27,350	27,947	29,617	28,280	29,169	30,456	30,075	31,682	32,177
31 Other	8,813	17,432	30,262	30,201	30,330	31,099	30,926	30,535	31,097	32,480	35,123	37,150
32 Other	2,732	4,263	5,631	6,293	6,350	5,324	5,838	6,602	6,084	6,459	7,188	6,729
33 Net worth	6,351	11,098	15,444	15,416	15,481	15,036	14,930	15,478	15,963	16,098	16,598	16,938
						Savings banks						
34 **Assets**	**216,776**	**236,866**	**251,472**	**255,989**	**260,600**	**259,643**	**258,628**	**259,224**	**262,100**	**262,269**	**264,507**	**264,970**
Loans												
35 Mortgage	110,448	118,323	133,298	135,317	137,044	138,494	137,858	139,108	140,835	139,691	143,235	142,337
36 Other	30,876	35,167	36,134	36,471	37,189	33,871	35,095	35,752	36,476	37,471	35,927	35,283
Securities												
37 U.S. government	13,111	14,209	13,122	13,817	15,694	13,510	12,776	12,269	12,225	13,203	12,490	16,729
38 Mortgage-backed securities	19,481	25,836	29,655	30,202	31,144	32,772	32,241	32,423	32,272	31,072	31,861	30,455
39 State and local government	2,323	2,185	2,023	2,034	2,046	2,003	1,994	2,053	2,033	2,013	1,933	1,810
40 Corporate and other	21,199	20,459	18,431	18,062	17,583	18,772	18,780	18,271	18,336	18,549	18,298	18,022
41 Cash	6,225	6,894	4,484	5,529	5,063	5,864	4,841	5,002	4,881	5,237	5,383	4,709
42 Other assets	13,113	13,793	14,325	14,557	14,837	14,357	15,043	14,346	15,042	15,033	15,380	15,623
43 **Liabilities**	**216,776**	**236,866**	**251,472**	**255,989**	**260,600**	**259,643**	**258,628**	**259,224**	**262,100**	**262,269**	**264,507**	**264,970**
44 Deposits	185,972	192,194	196,824	199,336	202,030	201,497	199,545	200,391	203,407	203,273	205,692	204,187
45 Regular[4]	181,921	186,345	191,376	193,777	196,724	196,037	194,322	195,336	198,273	197,801	200,098	198,354
46 Ordinary savings	33,018	37,717	41,773	42,045	42,493	41,959	41,047	41,234	41,867	41,741	42,403	42,824
47 Time	103,311	100,809	107,063	109,486	112,231	112,429	112,781	113,751	115,529	115,887	117,297	116,683
48 Other	4,051	5,849	5,448	5,559	5,306	5,460	5,223	5,055	5,134	5,472	5,594	5,833
49 Other liabilities	17,414	25,274	32,827	34,226	36,167	35,720	36,836	35,787	35,737	35,827	35,836	38,850
50 General reserve accounts	12,823	18,105	20,407	20,365	21,133	20,633	20,514	20,894	21,024	21,109	21,179	20,553

1.37—Continued

Account	1985	1986	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June
	Credit unions[5]											
51 **Total assets/liabilities and capital**	**118,010**	**147,726**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**169,111**	**169,175**	**172,456**	n.a.
52 Federal	77,861	95,483							109,797	109,913	112,595	
53 State	40,149	52,243							59,314	59,262	59,855	
54 Loans outstanding	73,513	86,137							101,965	103,271	105,704	
55 Federal	47,933	55,304							65,732	66,431	68,213	
56 State	25,580	30,833							36,233	36,840	37,491	
57 Savings	105,963	134,327							156,045	155,105	157,764	
58 Federal	70,926	87,954							101,847	101,048	103,129	
59 State	35,037	46,373							54,198	54,057	54,635	
	Life insurance companies											
60 ***Assets***	***825,901***	***937,551***	***1,026,919***	***1,021,148***	***1,024,460***	***1,033,170***	***1,042,350***	***1,052,645***	***1,065,549***	***1,075,541***	n.a.	n.a.
Securities												
61 Government	75,230	84,640	89,408	90,782	91,227	91,302	91,682	92,497	92,408	93,946		
62 United States[6]	51,700	59,033	63,352	64,880	65,186	64,551	64,922	65,534	65,218	66,749		
63 State and local	9,708	11,659	11,087	11,363	11,539	11,758	11,749	11,859	12,033	11,976		
64 Foreign[7]	13,822	13,948	14,969	14,539	14,502	14,993	15,011	15,104	15,157	15,221		
65 Business	423,712	492,807	558,787	549,426	548,767	553,486	563,019	571,070	580,392	587,846		
66 Bonds	346,216	401,943	451,453	455,678	459,537	461,942	469,207	476,448	484,403	490,285		
67 Stocks	77,496	90,864	107,334	93,748	89,230	91,544	93,812	94,622	95,989	97,561		
68 Mortgages	171,797	193,842	204,264	206,507	208,839	212,375	212,637	213,182	214,815	215,383		
69 Real estate	28,822	31,615	33,048	33,235	33,538	34,016	34,178	34,503	34,845	34,964		
70 Policy loans	54,369	54,055	53,422	53,413	53,334	53,313	53,265	52,720	52,604	52,568		
71 Other assets	71,971	80,592	87,991	87,785	88,755	88,678	87,569	88,673	90,499	90,834		

1. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to mortgage loans, contracts, and pass-through securities include loans in process, unearned discounts and deferred loan fees, valuation allowances for mortgages "held for sale," and specific reserves and other valuation allowances.
2. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to nonmortgage loans include loans in process, unearned discounts and deferred loan fees, and specific reserves and valuation allowances.
3. Holding of stock in Federal Home Loan Bank and Finance leases plus interest are included in "Other" (line 9).
4. Excludes checking, club, and school accounts.
5. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *FSLIC-insured institutions:* Estimates by the FHLBB for all institutions insured by the FSLIC and based on the FHLBB thrift Financial Report.

FSLIC-insured federal savings banks: Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on the FHLBB thrift Financial Report.

Savings banks: Estimates by the National Council of Savings Institutions for all savings banks in the United States and for FDIC-insured savings banks that have converted to federal savings banks.

Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1986	Fiscal year 1987	Calendar year 1988 Mar.	Apr.	May	June	July	Aug.
U.S. budget[1]								
1 Receipts, total	769,091	854,143	65,730	109,323	59,711	99,205	60,690	69,479
2 On-budget	568,862	640,741	44,958	81,993	39,764	77,643	40,980	51,015
3 Off-budget	200,228	213,402	20,772	27,330	19,947	21,562	19,710	18,464
4 Outlays, total	990,258	1,004,586	95,013	95,554	82,295	90,071[r]	83,634	92,561
5 On-budget	806,760	810,754	76,994	79,629	64,688	72,888[r]	66,818	74,756
6 Off-budget	183,498	193,832	18,020	15,925	17,607	17,184	16,816	17,805
7 Surplus, or deficit (−), total	−221,167	−150,444	−29,283	13,769	−22,583	9,134[r]	−22,944	−23,082
8 On-budget	−237,898	−170,014	−32,036	2,364	−24,924	4,755	−25,838	−23,741
9 Off-budget	16,731	19,570	2,752	11,405	2,340	4,379	2,894	659
Source of financing (total)								
10 Borrowing from the public	236,187	150,070	17,160	−334	7,559	11,391	3,665	23,370
11 Operating cash (decrease, or increase (−))	−14,324	−5,052	6,009	−23,276	27,223	−20,638	15,696	10,954
12 Other[2]	−696	5,426	6,114[r]	9,841[r]	−12,199[r]	113[r]	3,583	−11,242
MEMO								
13 Treasury operating balance (level, end of period)	31,384	36,436	22,913	46,189	18,966	39,604	23,908	12,954
14 Federal Reserve Banks	7,514	9,120	2,403	16,186	2,871	9,762	3,910	4,390
15 Tax and loan accounts	23,870	27,316	20,510	30,003	16,095	29,842	19,998	8,564

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

2. Includes SDRs; reserve position on the U.S. quota in the IMF; loans to international monetary fund; other cash and monetary assets; accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* and the *Budget of the U.S. Government.*

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1986	Fiscal year 1987	Calendar year 1986 H2	1987 H1	1987 H2	1988 H1	1988 June	1988 July	1988 Aug.
RECEIPTS									
1 **All sources**	**769,091**	**854,143**	**387,524**	**447,282**	**421,712**	**476,115**	**99,205**	**60,690**	**69,479**
2 Individual income taxes, net	348,959	392,557	183,156	205,157	192,575	207,659r	46,092r	25,791	31,942
3 Withheld	314,803	322,463	164,071	156,760	170,203	169,300	30,995	25,567	30,330
4 Presidential Election Campaign Fund	36	33	4	30	4	28	3	2	1
5 Nonwithheld	105,994	142,957	27,733	112,421	31,223	101,614	16,667	2,300	2,956
6 Refunds	71,873	72,896	8,652	64,052	8,853	63,283	1,573	2,078	1,346
Corporation income taxes									
7 Gross receipts	80,442	102,859	42,108	52,396	52,821	58,002	19,213	3,101	2,377
8 Refunds	17,298	18,933	8,230	10,881	7,119	8,706	866	1,602	916
9 Social insurance taxes and contributions, net	283,901	303,318	134,006	163,519	143,755	181,058	27,967	26,915	28,373
10 Employment taxes and contributions[2]	255,062	273,185	122,246	146,696	130,388	164,412	27,200	24,964	23,477
11 Self-employment taxes and contributions[3]	11,840	13,987	1,338	12,020	1,889	14,839	1,965	0	380
12 Unemployment insurance	24,098	25,418	9,328	14,514	10,977	14,363	352	1,598	4,545
13 Other net receipts[4]	4,742	4,715	2,429	2,310	2,390	2,284	415	353	351
14 Excise taxes	32,919	32,510	15,947	15,845	17,680	16,440	3,136	3,250	3,490
15 Customs deposits	13,327	15,032	7,282	7,129	7,993	7,851	1,430	1,343	1,650
16 Estate and gift taxes	6,958	7,493	3,649	3,818	3,610	3,863	644	627	661
17 Miscellaneous receipts[5]	19,884	19,307	9,605	10,299	10,399	9,950	1,590	1,265	1,902
OUTLAYS									
18 **All types**	**990,231**	**1,004,586**	**506,556**	**503,112**	**532,839**	**513,210r**	**90,071r**	**83,634**	**92,561**
19 National defense	273,375	281,999	138,544	142,886	146,995	143,080	25,317	24,449	24,532
20 International affairs	14,152	11,649	8,938	4,374	4,487	7,150	1,602	1,568	833
21 General science, space, and technology	8,976	9,216	4,594	4,324	5,469	5,361	1,023	961	930
22 Energy	4,735	4,115	2,446	2,335	1,468	555	516	257	282
23 Natural resources and environment	13,639	13,363	7,141	6,175	7,590	6,776	1,458	1,096	1,213
24 Agriculture	31,449	27,356	15,660	11,824	14,640	7,872	20	311	−152
25 Commerce and housing credit	4,890	6,182	3,764	4,893	3,852	5,951	2,035r	−337	4,077
26 Transportation	28,117	26,228	14,745	12,113	14,096	12,700	2,397	2,335	2,696
27 Community and regional development	7,233	5,051	3,651	3,108	2,075	2,765	468	−109	284
28 Education, training, employment, and social services	30,585	29,724	16,209	14,182	15,592	15,451	2,431	1,984	3,033
29 Health	35,935	39,968	18,795	20,318	20,750	22,643	4,119	3,502	3,977
30 Social security and medicare	268,921	282,473	138,299	142,864	158,469	135,322	28,234	23,475	25,692
31 Income security	119,796	123,250	59,979	62,248	61,201	65,555	8,203	10,907	10,581
32 Veterans benefits and services	26,356	26,782	14,190	12,264	14,956	13,241	2,120	2,354	2,249
33 Administration of justice	6,603	7,548	3,413	3,626	4,291	4,761	827	735	900
34 General government	6,104	5,948	1,860	3,344	3,560	4,337	1,486	174	814
35 General-purpose fiscal assistance	6,431	1,621	2,886	337	1,175	448	0	0	0
36 Net interest[6]	136,008	138,570	66,226	70,110	71,933	76,098	11,061	12,677	13,661
37 Undistributed offsetting receipts[7]	−33,007	−36,455	−16,475	−19,102	−17,684	−17,766	−3,251	−2,706	−3,041

1. Functional details do not add to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Net interest function includes interest received by trust funds.
7. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*, and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1988*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1986			1987				1988	
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
1 **Federal debt outstanding**	**2,063.6**	**2,129.5**	**2,218.9**	**2,250.7**	**2,313.1**	**2,354.3**	**2,435.2**	**2,493.2**	**2,555.1**
2 Public debt securities	2,059.3	2,125.3	2,214.8	2,246.7	2,309.3	2,350.3	2,431.7	2,487.6	2,547.7
3 Held by public	1,684.9	1,742.4	1,811.7	1,839.3	1,871.1	1,893.1	1,954.1	1,996.7	2,013.4
4 Held by agencies	374.4	382.9	403.1	407.5	438.1	457.2	477.6	490.8	534.2
5 Agency securities	4.3	4.2	4.0	4.0	3.8	4.0	3.5	5.6	7.4
6 Held by public	3.2	3.2	3.0	2.9	2.8	3.0	2.7	5.1	7.0
7 Held by agencies	1.1	1.1	1.1	1.1	1.0	1.0	.8	.6	.5
8 **Debt subject to statutory limit**	**2,060.0**	**2,111.0**	**2,200.5**	**2,232.4**	**2,295.0**	**2,336.0**	**2,417.4**	**2,472.6**	**2,532.2**
9 Public debt securities	2,058.7	2,109.7	2,199.3	2,231.1	2,293.7	2,334.7	2,416.3	2,472.1	2,532.1
10 Other debt[1]	1.3	1.3	1.3	1.3	1.3	1.3	1.1	.5	.1
11 MEMO: Statutory debt limit	2,078.7	2,111.0	2,300.0	2,300.0	2,320.0	2,800.0	2,800.0	2,800.0	2,800.0

1. Includes guaranteed debt of Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. *Treasury Bulletin* and *Monthly Statement of the Public Debt of the United States.*

1.41 *GROSS PUBLIC DEBT OF U.S. TREASURY* Types and Ownership

Billions of dollars, end of period

Type and holder	1984	1985	1986	1987	1987		1988	
					Q3	Q4	Q1	Q2
1 **Total gross public debt**	**1,663.0**	**1,945.9**	**2,214.8**	**2,431.7**	**2,350.3**	**2,431.7**	**2,487.6**	**2,547.7**
By type								
2 Interest-bearing debt	1,660.6	1,943.4	2,212.0	2,428.9	2,347.7	2,428.9	2,484.9	2,545.0
3 Marketable	1,247.4	1,437.7	1,619.0	1,724.7	1,676.0	1,724.7	1,758.7	1,769.9
4 Bills	374.4	399.9	426.7	389.5	378.3	389.5	392.6	382.3
5 Notes	705.1	812.5	927.5	1,037.9	1,005.1	1,037.9	1,059.9	1,072.7
6 Bonds	167.9	211.1	249.8	282.5	277.6	282.5	291.3	299.9
7 Nonmarketable[1]	413.2	505.7	593.1	704.2	671.8	704.2	726.2	775.1
8 State and local government series	44.4	87.5	110.5	139.3	129.0	139.3	142.9	146.9
9 Foreign issues[2]	9.1	7.5	4.7	4.0	4.3	4.0	6.1	5.7
10 Government	9.1	7.5	4.7	4.0	4.3	4.0	6.1	5.7
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	73.1	78.1	90.6	99.2	97.0	99.2	102.3	104.5
13 Government account series[3]	286.2	332.2	386.9	461.3	440.7	461.3	474.4	517.5
14 Non-interest-bearing debt	2.3	2.5	2.8	2.8	2.5	2.8	2.6	2.7
By holder[4]								
15 U.S. government agencies and trust funds	289.6	348.9	403.1	477.6	457.2	477.6	n.a.	n.a.
16 Federal Reserve Banks	160.9	181.3	211.3	222.6	211.9	222.6	n.a.	n.a.
17 Private investors	1,212.5	1,417.2	1,602.0	1,745.2	1,682.6	1,745.2	1,778.2	1,784.9
18 Commercial banks	183.4	192.2	238.3	253.3	251.3	253.3	260.7	263.0
19 Money market funds	25.9	25.1	28.0	14.3	15.2	14.3	15.2r	13.4
20 Insurance companies	76.4r	115.4	135.4	n.a.	143.0	n.a.	n.a.	n.a.
21 Other companies	50.1	59.0	68.8	84.6	81.8	84.6	n.a.	n.a.
22 State and local Treasurys	173.0	224.0	260.0	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals								
23 Savings bonds	74.5	79.8	92.3	101.1	98.5	101.1	104.0	106.2
24 Other securities	69.3	75.0	70.5	n.a.	70.4	n.a.	n.a.	n.a.
25 Foreign and international[5]	192.9	212.5	251.6	287.3	267.0	287.3	320.8r	332.3
26 Other miscellaneous investors[6]	354.7	434.2	467.1	n.a.	n.a.	n.a.	n.a.	n.a.

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. Treasury agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. Treasury agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally-sponsored agencies.

SOURCES. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin.*

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Par value; averages of daily figures, in millions of dollars

	Item	1985	1986	1987	1988			1988					
					June	July r	Aug.	July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**75,331**	**95,445**	**110,052**	**111,010**	**92,153**	**100,178**	**89,731r**	**87,932**	**121,311**	**109,991**	**82,270**	**93,805**
	By maturity												
2	Bills	32,900	34,247	37,924	28,060	29,166	29,546	29,045	26,995	34,362	31,586	21,977	31,634
3	Other within 1 year	1,811	2,115	3,272	3,826	2,939	3,459	2,890	3,878	3,346	3,673	2,662	3,674
4	1–5 years	18,361	24,667	27,918	31,292	23,127	28,573	24,873r	23,527	37,258	32,746	25,419	22,613
5	5–10 years	12,703	20,456	24,014	28,079	23,294	23,640	20,060r	20,657	28,922	23,207	19,261	23,989
6	Over 10 years	9,556	13,961	16,923	19,753	13,628	14,960	12,863	12,875	17,424	18,779	12,950	11,894
	By type of customer												
7	U.S. government securities dealers	3,336	3,670	2,936	2,766	2,255	2,332	2,685	2,903	2,307	2,760	1,739	2,132
8	U.S. government securities brokers	36,222	49,558	61,539	66,145	55,147	58,488	54,561r	50,653	73,087	64,444	47,112	54,111
9	All others[3]	35,773	42,218	45,576	42,097	34,750	39,356	32,484r	34,376	45,916	42,786	33,418	37,561
10	Federal agency securities	11,640	16,748	18,087	15,660	14,290	13,954	12,094	15,968	15,556	15,669	10,550	13,078
11	Certificates of deposit	4,016	4,355	4,112	3,193	3,316	3,049	3,244	3,128	3,054	2,975	3,019	3,045
12	*Bankers acceptances*	3,242	3,272	*2,965*	*2,114*	*2,401*	*1,845*	*2,215*	*2,194*	*1,918*	*1,582*	*1,687*	*2,055*
13	Commercial paper	12,717	16,660	17,135	24,139	26,738	23,418	25,095	23,726	23,048	24,100	22,397	24,656
	Futures contracts[4]												
14	Treasury bills	5,561	3,311	3,233	2,205	1,886	2,593	2,053	1,381	4,420	2,647	1,384	2,479
15	Treasury coupons	6,085	7,175	8,964	11,565	8,536	9,444	8,401	8,064	10,928	12,323	7,765	7,675
16	Federal agency securities	252	16	5	0	0	0	0	0	0	0	0	0
	Forward transactions[5]												
17	U.S. Treasury securities	1,283	1,876	2,029	2,330	1,673	2,323	2,613	1,278	3,464	1,875	3,740	754
18	Federal agency securities	3,857	7,831	9,290	9,370	7,088	8,701	5,182	7,451	10,258	12,167	7,426	5,444

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. Treasury securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

2. Data for immediate transactions do not include forward transactions.

3. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for Treasury securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

Item	1985	1986	1987	1988			1988				
				June	July[r]	Aug.	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
	Positions										
Net immediate[2]											
1 **U.S. Treasury securities**	7,391	**12,912**	**−6,216**	**−25,186**	**−31,320**	**−31,561**	**−32,120**	**−36,093**	**−32,063**	**−32,657**	**−25,935**
2 Bills	10,075	12,761	4,317	1,723	−90	1,686	−246	−1,279	901	1,448	6,299
3 Other within 1 year	1,050	3,706	1,557	−983	−2,638	−2,389	−2,068	−1,734	−2,338	−2,583	−3,210
4 1–5 years	5,154	9,146	649	−7,541	−4,887	−6,154	−3,774	−5,328	−7,414	−7,970	−5,263
5 5–10 years	−6,202	−9,505	−6,564	−10,274	−14,049	−13,367	−14,912	−15,872	−12,251	−12,564	−12,015
6 Over 10 years	−2,686	−3,197	−6,174	−8,112	−9,655	−11,336	−11,120	−11,881	−10,962	−10,989	−11,746
7 Federal agency securities	22,860	32,984	31,910	29,417	30,071	28,049	30,390	28,763	28,217	26,608	27,067
8 Certificates of deposit	9,192	10,485	8,188	8,066	8,831	8,470	8,356	8,407	8,836	8,393	8,346
9 Bankers acceptances	4,586	5,526	3,661	2,618	2,734	1,962	2,547	1,893	1,779	1,776	2,048
10 Commercial paper	5,570	8,089	7,496	5,561	5,847	5,820	6,779	6,357	5,426	4,967	6,082
Futures positions											
11 Treasury bills	−7,322	−18,059	−3,373	−2,695	904	1,160	376	979	1,534	1,713	1,098
12 Treasury coupons	4,465	3,473	5,988	4,136	7,454	8,488	8,579	9,127	8,867	7,777	7,948
13 Federal agency securities	−722	−153	−95	0	0	0	0	0	0	0	0
Forward positions											
14 U.S. Treasury securities	−911	−2,144	−1,211	1,114	1,353	655	1,279	1,825	−350	−243	1,167
15 Federal agency securities	−9,420	−11,840	−18,817	−17,820	−18,780	−17,255	−19,157	−18,620	−17,061	−16,432	−15,702
	Financing[3]										
Reverse repurchase agreements[4]											
16 Overnight and continuing	68,035	98,954	124,791	139,006	132,912	142,120	135,279	136,150	146,552	137,614	152,267
17 Term	80,509	108,693	148,033	168,069	173,938	180,855	189,433	195,672	170,893	177,419	174,288
Repurchase agreements[5]											
18 Overnight and continuing	101,410	141,735	170,840	176,017	170,062	174,006	163,085	165,279	177,738	172,488	187,072
19 Term	70,076	102,640	120,980	131,104	130,220	134,608	145,256	149,668	125,776	130,995	125,603

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. Treasury securities dealers on its published list of primary dealers.

Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

3. Figures cover financing involving U.S. Treasury and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

4. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

5. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE. Data on positions for the period May 1 to Sept. 30, 1986, are partially estimated.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1984	1985	1986	1987	1988 Mar.	1988 Apr.	1988 May	1988 June	1988 July
1 **Federal and federally sponsored agencies**	**271,220**	**293,905**	**307,361**	**341,386**	**351,356**	**348,273**	**352,216**	**354,446**	n.a.
2 Federal agencies	35,145	36,390	36,958	37,981	36,844	36,672	36,430	36,361	36,465
3 Defense Department[1]	142	71	33	13	12	11	11	11	11
4 Export-Import Bank[2,3]	15,882	15,678	14,211	11,978	11,494	11,494	11,494	11,232	11,232
5 Federal Housing Administration[4]	133	115	138	183	100	103	105	116	116
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	1,615	1,165	830	830	830	830
7 Postal Service[6]	1,337	1,940	3,104	6,103	6,103	6,103	5,842	5,842	5,842
8 Tennessee Valley Authority	15,435	16,347	17,222	18,089	17,970	18,131	18,148	18,330	18,434
9 United States Railway Association[6]	51	74	85	0	0	0	0	0	0
10 Federally sponsored agencies[7]	237,012	257,515	270,553	303,405	314,512	311,601	315,786	318,085	n.a.
11 Federal Home Loan Banks	65,085	74,447	88,752	115,725	118,250	118,153	117,864	117,773	119,409
12 Federal Home Loan Mortgage Corporation	10,270	11,926	13,589	17,645	20,143	17,199	19,495	17,619	n.a.
13 Federal National Mortgage Association	83,720	93,896	93,563	97,057	99,853	100,911	102,515	104,757	104,751
14 Farm Credit Banks[8]	72,192	68,851	62,478	55,275	56,145	54,311	54,578	55,779	54,538
15 Student Loan Marketing Association[9]	5,745	8,395	12,171	16,503	18,271	18,877	18,434	19,257	n.a.
16 Financing Corporation[10]	n.a.	n.a.	n.a.	1,200	1,850	2,150	2,900	2,900	2,900
17 Farm Credit Financial Assistance Corporation[11]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	450
MEMO									
18 **Federal Financing Bank debt**[12]	**145,217**	**153,373**	**157,510**	**152,417**	**149,721**	**150,044**	**149,986**	**149,833**	**149,937**
Lending to federal and federally sponsored agencies									
19 Export-Import Bank[3]	15,852	15,670	14,205	11,972	11,488	11,488	11,488	11,226	11,226
20 Postal Service[6]	1,087	1,690	2,854	5,853	5,853	5,853	5,592	5,592	5,592
21 Student Loan Marketing Association	5,000	5,000	4,970	4,940	4,940	4,940	4,940	4,940	4,940
22 Tennessee Valley Authority	13,710	14,622	15,797	16,709	16,590	16,751	16,768	16,950	17,054
23 United States Railway Association[6]	51	74	85	0	0	0	0	0	0
Other Lending[13]									
24 Farmers Home Administration	58,971	64,234	65,374	59,674	59,674	59,674	59,674	59,674	59,674
25 Rural Electrification Administration	20,693	20,654	21,680	21,191	19,184	19,203	19,218	19,204	19,206
26 Other	29,853	31,429	32,545	32,078	31,992	32,135	32,306	32,247	32,245

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown in line 17.
9. Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 21.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation (established in January 1988 to provide assistance to the Farm Credit System) undertook its first borrowing in July 1988.
12. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
13. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1985	1986	1987	1988							
				Jan.	Feb.	Mar.	Apr.	May	June	July^r	Aug.
1 **All issues, new and refunding**[1]	**214,189**	**147,011**	**102,407**	**5,412**	**8,585**	**9,821**	**5,847**	**7,846**	**13,912**	**9,746**	**6,614**
Type of issue											
2 General obligation	52,622	46,346	30,589	1,259	2,880	2,776	1,707	3,085	4,237	1,959	2,455
3 Revenue	161,567	100,664	71,818	4,153	5,705	7,045	4,140	4,761	9,675	7,788	4,159
Type of issuer											
4 State	13,004	14,474	10,102	423	1,197	739	441	913	1,349	140	576
5 Special district and statutory authority[2]	134,363	89,997	65,460	3,220	5,154	6,310	4,078	4,625	8,629	6,752	3,563
6 Municipalities, counties, and townships	78,754	42,541	26,845	1,769	2,234	2,772	1,328	2,308	3,934	2,854	2,475
7 **Issues for new capital, total**	**156,050**	**83,490**	**56,789**	**1,669^r**	**2,738^r**	**2,401^r**	**1,476^r**	**2,334^r**	**2,352^r**	**2,079**	**2,318**
Use of proceeds											
8 Education	16,658	12,307	9,524	841	754	933	911	1,316	1,320	1,699	646
9 Transportation	12,070	7,246	3,677	189	826	559	215	452	858	1,446	264
10 Utilities and conservation	26,852	14,594	7,912	326	655	1,016	429	580	635	225	591
11 Social welfare	63,181	11,353	11,106	740	650	1,218	1,099	694	2,060	1,222	1,273
12 Industrial aid	12,892	6,190	7,474	153	2,473	105	298	248	434	128	367
13 Other purposes	24,398	31,802	18,020	613	415	2,213	996	1,900	3,628	3,666	2,040

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts beginning 1986.

SOURCES. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1985	1986	1987	1987	1988						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June^r	July
1 **All issues**[1]	**239,015**	**423,726**	**392,156**	**11,872**	**22,175**	**22,439^r**	**25,902**	**21,227^r**	**23,413**	**29,716**	**17,632**
2 **Bonds**[2]	**203,500**	**355,293**	**325,648**	**11,098**	**19,485**	**18,549^r**	**20,815**	**18,515^r**	**19,382**	**25,421**	**12,494**
Type of offering											
3 Public, domestic	119,559	231,936	209,279	10,763	18,246	16,758^r	19,827	16,202^r	17,496	22,426	10,500
4 Private placement, domestic[3]	46,200	80,760	92,070	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5. Sold abroad	37,781	42,596	24,299	335	1,239	1,791	988	2,313	1,886	2,995	1,994
Industry group											
6 Manufacturing	63,973	91,548	61,666	928	3,053	3,151	3,482	4,513^r	4,206	5,270	2,223
7 Commercial and miscellaneous	17,066	40,124	49,327	2,577	2,084	1,416^r	1,007	771	1,446	2,261	1,513
8 Transportation	6,020	9,971	11,974	226	0	200	1,017	890	184	580	100
9 Public utility	13,649	31,426	23,004	1,570	1,142	1,718	2,259	1,170	1,929	1,707	550
10 Communication	10,832	16,659	7,340	510	206	101	115	411	69	910	575
11 Real estate and financial	91,958	165,564	172,343	5,287	13,000	11,962^r	12,935	10,760^r	11,546	14,693	7,534
12 **Stocks**[3]	**35,515**	**68,433**	**66,508**	**774**	**2,690**	**3,890**	**5,087**	**2,712**	**4,031**	**4,295**	**5,138**
Type											
13 Preferred	6,505	11,514	10,123	61	1,388	376	625	241	285	501	407
14 Common	29,010	50,316	43,228	713	1,302	3,513^r	4,462^r	2,471	3,746	3,794	4,731
15 Private placement[3]	....	6,603	13,157	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	5,700	15,027	13,880	76	268	296	256	318	1,080	1,676	296
17 Commercial and miscellaneous	9,149	10,617	12,888	14	360	44	99	276	157	522	2,073
18 Transportation	1,544	2,427	2,439	1	1	474	32	150	15	51	0
19 Public utility	1,966	4,020	4,322	0	100	142	93	238	59	207	20
20 Communication	978	1,825	1,458	11	60	0	63	109	78	13	20
21 Real estate and financial	16,178	34,517	31,521	672	1,901	2,933	4,544	1,621	2,642	1,826	2,729

1. Figures which represent gross proceeds of issues maturing in more than one year, are principal amount or number of units multiplied by offering price. Excludes secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data include only public offerings.
3. Data are not available on a monthly basis. Before 1987, annual totals include underwritten issues only.

SOURCES. IDD Information Services, Inc., U.S. Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1986	1987	1987	1988						
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
INVESTMENT COMPANIES[1]										
1 **Sales of own shares[2]**	**411,751**	**381,260**	**26,494**	**30,343**	**23,265**	**24,589**	**23,162**	**19,579**	**22,503**	**20,728**
2 Redemptions of own shares[3]	239,394	314,252	28,099	22,324	20,914	23,968	25,000	21,412	23,168	20,560
3 Net sales	172,357	67,008	−1,605	8,019	2,351	620	−1,828	−1,833	−665	168
4 **Assets[4]**	**424,156**	**453,842**	**453,842**	**468,998**	**481,232**	**473,206**	**473,321**	**468,735**	**481,120**	**477,122**
5 Cash position[5]	30,716	38,006	38,006	40,157	41,232	43,561	45,307	45,003	43,229	44,031
6 Other	393,440	415,836	415,836	428,841	439,995	426,645	428,014	423,732	437,891	433,091

1. *Excluding money market funds.*
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1985	1986	1987	1986		1987				1988	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1 Corporate profits with inventory valuation and capital consumption adjustment	282.3	298.8	310.4	301.2	293.9	298.3	305.2	322.0	316.1	316.2	326.5
2 Profits before tax	224.2	236.3	276.7	240.5	252.1	261.8	273.7	289.4	281.9	286.2	305.9
3 Profits tax liability	96.4	106.6	133.8	107.9	114.3	126.3	132.6	140.0	136.2	136.9	143.2
4 Profits after tax	127.8	129.8	142.9	132.6	137.9	135.5	141.1	149.5	145.7	149.4	162.7
5 Dividends	83.2	88.2	95.5	88.9	89.8	91.7	94.0	97.0	99.3	101.3	103.1
6 Undistributed profits	44.5	41.5	47.4	43.7	48.1	43.8	47.0	52.4	46.4	48.1	59.6
7 Inventory valuation	−1.7	8.3	−18.0	8.7	−8.1	−14.4	−20.0	−19.5	−18.2	−19.4	−27.4
8 Capital consumption adjustment	59.8	54.1	51.7	52.0	49.8	50.8	51.5	52.1	52.4	49.4	48.0

SOURCE. *Survey of Current Business* (Department of Commerce).

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1986	1987[r]	1988[1, n]	1987[r]				1988[r]			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3[1]	Q4[1]
1 **Total nonfarm business**	**379.47**	**389.67**	**430.95**	**376.73**	**380.66**	**394.54**	**406.82**	**412.02**	**426.94**	**440.42**	**444.40**
Manufacturing											
2 Durable goods industries	69.14	71.01	78.06	70.79	69.05	71.96	72.28	75.70	76.87	80.59	79.09
3 Nondurable goods industries	73.56	74.88	85.50	70.70	72.66	76.24	79.92	82.90	84.82	85.78	88.48
Nonmanufacturing											
4 Mining	11.22	11.39	12.62	10.38	11.02	11.81	12.32	12.59	13.26	12.74	11.89
Transportation											
5 Railroad	6.66	5.92	7.05	5.68	5.84	6.07	6.12	6.92	7.01	7.07	7.19
6 Air	6.26	6.53	7.61	7.01	6.02	6.15	6.94	6.43	6.66	9.31	8.02
7 Other	5.89	6.40	6.91	6.08	6.26	6.97	6.28	7.08	7.05	7.06	6.44
Public utilities											
8 Electric	33.91	31.63	32.20	31.23	31.47	31.57	32.28	30.31	30.95	33.79	33.76
9 Gas and other	12.47	13.25	14.27	12.72	12.47	13.73	14.11	14.30	14.48	14.26	14.04
10 Commercial and other[2]	160.38	168.65	186.74	162.13	165.86	170.05	176.56	175.79	185.83	189.82	195.50

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.

1. Anticipated by business.

2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period

Account	1983	1984	1985	1986			1987			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	83.3	89.9	111.9	123.4	135.3	134.7	131.1	134.7	141.6	141.1
2 Business	113.4	137.8	157.5	166.8	159.7	173.4	181.4	188.1	188.3	207.6
3 Real estate	20.5	23.8	28.0	29.8	31.0	32.6	34.7	36.5	38.0	39.5
4 Total	217.3	251.5	297.4	320.0	326.0	340.6	347.2	359.3	367.9	388.2
Less:										
5 Reserves for unearned income	30.3	33.8	39.2	40.7	42.4	41.5	40.4	41.2	42.5	45.3
6 Reserves for losses	3.7	4.2	4.9	5.1	5.4	5.8	5.9	6.2	6.5	6.8
7 Accounts receivable, net	183.2	213.5	253.3	274.2	278.2	293.3	300.9	311.9	318.9	336.1
8 All other	34.4	35.7	45.3	49.5	60.0	58.6	59.0	57.7	64.5	58.2
9 **Total assets**	**217.6**	**249.2**	**298.6**	**323.7**	**338.2**	**351.9**	**359.9**	**369.6**	**383.4**	**394.3**
LIABILITIES										
10 Bank loans	18.3	20.0	18.0	16.3	16.8	18.6	17.2	17.3	15.9	16.4
11 Commercial paper	60.5	73.1	99.2	108.4	112.8	117.8	119.1	120.4	124.2	128.4
Debt										
12 Other short-term	11.1	12.9	12.7	15.8	16.4	17.5	21.8	24.8	26.9	28.0
13 Long-term	67.7	77.2	94.4	106.9	111.7	117.5	118.7	121.8	128.2	137.1
14 All other liabilities	31.2	34.5	41.5	40.9	45.0	44.1	46.5	49.1	48.6	52.8
15 Capital, surplus, and undivided profits	28.9	31.5	32.8	35.4	35.6	36.4	36.6	36.3	39.5	31.5
16 **Total liabilities and capital**	**217.6**	**249.2**	**298.6**	**323.7**	**338.2**	**351.9**	**359.9**	**369.6**	**383.4**	**394.3**

1. NOTE. Components may not add to totals because of rounding.

1.52 DOMESTIC FINANCE COMPANIES Business Credit Outstanding and Net Change[1]

Millions of dollars, seasonally adjusted

Type	1985	1986	1987	1988					
				Feb.	Mar.	Apr.	May	June	July
1 **Total**	**156,297**	**171,966**	**205,869**	**213,337**	**216,007**	**218,914**	**220,304**	**222,133**	**223,706**
Retail financing of installment sales									
2 Automotive (commercial vehicles)	20,660	25,952	35,674	36,318	36,914	37,619	37,219	37,519	37,682
3 Business, industrial, and farm equipment	22,483	22,950	24,987	26,976	27,081	27,263	27,081	27,548	27,428
Wholesale financing									
4 Automotive	23,988	23,419	31,059	28,654	27,329	27,361	28,260	28,731	28,449
5 Equipment	4,568	5,423	5,693	5,323	5,251	5,429	5,237	5,557	5,654
6 All other	6,809	7,079	8,408	8,331	8,347	8,311	8,414	8,481	8,458
Leasing									
7 Automotive	16,275	19,783	21,943	23,100	23,493	23,458	23,690	24,076	24,400
8 Equipment	34,768	37,833	43,002	48,175	50,411	51,092	52,126	52,365	52,803
9 Loans on commercial accounts receivable and factored commercial accounts receivable	15,765	15,959	18,024	17,862	17,895	18,789	18,700	18,595	19,095
10 All other business credit	10,981	13,568	17,079	17,062	19,287	19,592	19,578	19,260	19,736
	Net change (during period)								
11 **Total**	**19,607**	**15,669**	**3,040**	**549**	**2,670**	**2,907**	**1,390**	**1,829**	**1,573**
Retail financing of installment sales									
12 Automotive (commercial vehicles)	5,067	5,292	1,220	−101	596	705	−400	300	163
13 Business, industrial, and farm equipment	−363	467	223	−232	105	182	−181	467	−120
Wholesale financing									
14 Automotive	5,423	−569	158	−1,461	−1,325	32	899	471	−282
15 Equipment	−867	855	−101	14	−72	178	−192	320	97
16 All other	1,069	270	257	−123	16	−36	103	67	−23
Leasing									
17 Automotive	3,896	3,508	−70	157	393	−34	231	386	324
18 Equipment	2,685	3,065	1,038	632	2,236	681	1,034	239	438
19 Loans on commercial accounts receivable and factored commercial accounts receivable	2,161	194	−477	−643	−643	894	−88	−105	500
20 All other business credit	536	2,587	792	770	689	305	−14	−318	476

1. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1985	1986	1987	1988 Feb.	Mar.	Apr.	May	June	July	Aug.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	104.1	118.1	137.0	139.4	147.2	151.4	145.3	152.0	152.9	152.3
2 Amount of loan (thousands of dollars)	77.4	86.2	100.5	104.3	106.3	112.1	108.0	110.2	111.9	113.8
3 Loan/price ratio (percent)	77.1	75.2	75.2	76.4	75.0	76.2	76.4	73.8	75.2	76.9
4 Maturity (years)	26.9	26.6	27.8	28.1	27.3	27.7	28.1	27.5	28.4	28.6
5 Fees and charges (percent of loan amount)[2]	2.53	2.48	2.26	2.23	2.28	2.20	2.15	2.16	2.24	2.39
6 Contract rate (percent per year)	11.12	9.82	8.94	8.76	8.77	8.76	8.59	8.90	8.80	8.68
Yield (percent per year)										
7 FHLBB series[3]	11.58	10.25	9.31	9.12	9.15	9.13	8.95	9.26	9.17	9.07
8 HUD series[4]	12.28	10.07	10.13	9.80	9.99	10.19	10.48	10.35[r]	n.a.	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	12.24	9.91	10.12	9.86	10.28	10.46	10.84	10.65[r]	n.a.	n.a.
10 GNMA securities[6]	11.61	9.30	9.42	9.53	9.53	9.67	9.93	9.88	9.91	10.09
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	94,574	98,048	95,030	98,358	99,787	100,796	101,747	102,368	102,540	102,540
12 FHA/VA-insured	34,244	29,683	21,660	20,181	20,094	19,932	19,805	19,765	19,677	19,586
13 Conventional	60,331	68,365	73,370	78,177	79,693	80,864	81,941	82,603	82,864	82,954
Mortgage transactions (during period)										
14 Purchases	21,510	30,826	20,531	2,629	2,776	2,409	2,138	2,372	1,960	1,638
Mortgage commitments[7]										
15 Contracted (during period)	20,155	32,987	25,415	2,516	3,823	2,555	2,142	2,179	1,108	1,041
16 Outstanding (end of period)	3,402	3,386	4,886	4,966	6,149	6,033	5,777	5,365	4,277	3,135
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	12,399	13,517	12,802	13,926	14,386	14,822	15,228	15,576	n.a.	n.a.
18 FHA/VA	841	746	686	646	641	635	633	627	n.a.	n.a.
19 Conventional	11,559	12,771	12,116	13,280	13,745	14,187	14,595	14,949	n.a.	n.a.
Mortgage transactions (during period)										
20 Purchases	44,012	103,474	76,845	3,293	2,932	2,772	2,877	4,117	n.a.	n.a.
21 Sales	38,905	100,236	75,082	2,414	2,312	2,271	2,325	3,649	n.a.	n.a.
Mortgage commitments[9]										
22 Contracted (during period)	48,989	110,855	71,467	4,910	4,262	6,437	5,159	6,447	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder, and type of property	1985	1986	1987	1987 Q2	1987 Q3	1987 Q4	1988 Q1[r]	1988 Q2
1 **All holders**	**2,289,843[r]**	**2,597,175[r]**	**2,943,176[r]**	**2,792,723[r]**	**2,864,736[r]**	**2,943,176[r]**	**2,987,155[r]**	**3,056,615[r]**
2 1- to 4-family	1,488,009[r]	1,698,524[r]	1,925,203[r]	1,817,482[r]	1,870,635[r]	1,925,203[r]	1,955,325[r]	2,006,675[r]
3 Multifamily	214,470[r]	247,831[r]	273,836[r]	263,874[r]	268,911[r]	273,836[r]	277,571[r]	282,920[r]
4 Commercial	481,514[r]	555,039[r]	655,269[r]	620,087[r]	635,230[r]	655,269[r]	666,096[r]	679,305[r]
5 Farm	105,850[r]	95,781[r]	88,868[r]	91,280[r]	89,960[r]	88,868[r]	88,163[r]	87,715[r]
6 Selected financial institutions	1,390,394	1,507,289	1,700,820	1,607,000	1,648,328	1,700,820	1,722,742	1,760,744[r]
7 Commercial banks[2]	429,196	502,534	591,151	544,759	567,000	591,151	603,408	622,237
8 1- to 4-family	213,434	235,814	275,761	252,813	263,762	275,761	279,977	289,029
9 Multifamily	23,373	31,173	33,296	30,543	32,114	33,296	33,585	34,347
10 Commercial	181,032	222,799	267,663	247,576	256,981	267,663	275,081	283,678
11 Farm	11,357	12,748	14,431	13,827	14,143	14,431	14,765	15,183
12 Savings institutions[3]	760,499	777,312	856,945	824,961	838,737	856,945	863,110	876,974[r]
13 1- to 4-family	554,301	558,412	598,886	572,075	583,432	598,886	603,532	615,771[r]
14 Multifamily	89,739	97,059	106,359	102,933	104,609	106,359	107,687	109,588[r]
15 Commercial	115,771	121,236	150,943	149,183	149,938	150,943	151,136	150,863[r]
16 Farm	688	605	....	....	....	....	....	....
17 Life insurance companies	171,797	193,842	212,375	200,382	204,263	212,375	214,815	219,015
18 1- to 4-family	12,381	12,827	13,226	12,745	12,742	13,226	13,653	14,053
19 Multifamily	19,894	20,952	22,524	21,663	21,968	22,524	22,723	22,823
20 Commercial	127,670	149,111	166,722	155,611	159,464	166,722	168,774	172,624
21 Farm	11,852	10,952	9,903	10,363	10,089	9,903	9,665	9,515
22 Finance companies[4]	28,902	33,601	40,349	36,898	38,328	40,349	41,409	42,518
23 Federal and related agencies	166,928	203,800	192,721	196,514	191,520	192,721	196,909	199,728[r]
24 Government National Mortgage Association	1,473	889	444	667	458	444	434	425
25 1- to 4-family	539	47	25	45	25	25	25	24
26 Multifamily	934	842	419	622	433	419	409	401
27 Farmers Home Administration[5]	733	48,421	43,051	48,085	42,978	43,051	43,076	42,767
28 1- to 4-family	183	21,625	18,169	21,157	18,111	18,169	18,185	18,248
29 Multifamily	113	7,608	8,044	7,808	7,903	8,044	8,115	8,213
30 Commercial	159	8,446	6,603	8,553	6,592	6,603	6,640	6,288
31 Farm	278	10,742	10,235	10,567	10,372	10,235	10,136	10,018
32 Federal Housing and Veterans Administration	4,920	5,047	5,574	5,268	5,330	5,574	5,660	5,544
33 1- to 4-family	2,254	2,386	2,557	2,531	2,452	2,557	2,608	2,452
34 Multifamily	2,666	2,661	3,017	2,737	2,878	3,017	3,052	3,092
35 Federal National Mortgage Association	98,282	97,895	96,649	94,064	94,884	96,649	99,787	102,368
36 1- to 4-family	91,966	90,718	89,666	87,013	87,901	89,666	92,828	95,404
37 Multifamily	6,316	7,177	6,983	7,051	6,983	6,983	6,959	6,964
38 Federal Land Banks	47,498	39,984	34,131	35,833	34,930	34,131	33,566	33,048
39 1- to 4-family	2,798	2,353	2,008	2,108	2,055	2,008	1,975	1,945
40 Farm	44,700	37,631	32,123	33,725	32,875	32,123	31,591	31,103
41 Federal Home Loan Mortgage Corporation	14,022	11,564	12,872	12,597	12,940	12,872	14,386	15,576[r]
42 1- to 4-family	11,881	10,010	11,430	11,172	11,570	11,430	12,749	13,631[r]
43 Multifamily	2,141	1,554	1,442	1,425	1,370	1,442	1,637	1,945[r]
44 Mortgage pools or trusts[6]	439,058[r]	565,428[r]	718,297[r]	656,361[r]	692,944[r]	718,297[r]	736,344[r]	761,405[r]
45 Government National Mortgage Association	212,145	262,697	317,555	293,246	308,339	317,555	322,976	329,976
46 1- to 4-family	207,198	256,920	309,806	286,091	300,815	309,806	315,095	321,924
47 Multifamily	4,947	5,777	7,749	7,155	7,524	7,749	7,881	8,052
48 Federal Home Loan Mortgage Corporation	100,387	171,372	212,634	200,284	208,872	212,634	214,724	216,155[r]
49 1- to 4-family	99,515	166,667	205,977	194,238	202,308	205,977	208,138	209,702[r]
50 Multifamily	872	4,705	6,657	6,046	6,564	6,657	6,586	6,453[r]
51 Federal National Mortgage Association	54,987	97,174	139,960	121,270	130,540	139,960	145,242	157,438
52 1- to 4-family	54,036	95,791	137,988	119,617	128,770	137,988	142,330	153,253
53 Multifamily	951	1,383	1,972	1,653	1,770	1,972	2,912	4,185
54 Farmers Home Administration[5]	47,523	348	245	342	333	245	172	106
55 1- to 4-family	22,186	142	121	149	144	121	65	23
56 Multifamily	6,675	....	....	....	....	....	....	....
57 Commercial	8,190	132	63	126	124	63	58	41
58 Farm	10,472	74	61	67	65	61	49	42
59 Individuals and others[7]	293,463[r]	320,658[r]	331,338[r]	332,848[r]	331,944[r]	331,338[r]	331,160[r]	334,738[r]
60 1- to 4-family	162,419[r]	177,374[r]	171,331[r]	177,611[r]	173,360[r]	171,331[r]	169,526[r]	170,968[r]
61 Multifamily	55,849[r]	66,940[r]	75,374[r]	74,238[r]	74,795[r]	75,374[r]	76,025[r]	76,857[r]
62 Commercial	48,692[r]	53,315[r]	63,275[r]	59,038[r]	62,131[r]	63,275[r]	64,407[r]	65,811[r]
63 Farm	26,503[r]	23,029[r]	21,358[r]	21,961[r]	21,658[r]	21,358[r]	21,202[r]	21,102[r]

1. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not bank trust departments.
3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by FSLIC-insured institutions include loans in process and other contra assets (credit balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels).
4. Assumed to be entirely 1- to 4-family loans.
5. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:4, because of accounting changes by the Farmers Home Administration.
6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1986	1987	1987		1988						
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
	Amounts outstanding (end of period)										
1 **Total**	**571,833**	**613,022**	**608,728**	**613,022**	**619,258**	**624,294**	**629,485**	**633,336**	**636,318**	**644,372**	**646,945**
By major holder											
2 Commercial banks	262,139	281,564	279,550	281,564	284,753	287,344	290,831	293,166	295,546	300,275	302,049
3 Finance companies[2]	133,698	140,072	138,928	140,072	141,695	142,946	144,053	144,516	144,454	144,748	143,812
4 Credit unions	76,191	81,065	80,923	81,065	81,662	81,897	82,595	83,204	83,881	84,912	85,550
5 Retailers[3]	39,660	42,782	42,291	42,782	42,926	43,080	43,271	43,295	43,162	43,450	43,634
6 Savings institutions	56,881	63,949	63,412	63,949	64,633	65,396	65,078	65,387	65,509	67,274	68,192
7 Gasoline companies	3,264	3,590	3,624	3,590	3,590	3,631	3,657	3,769	3,765	3,713	3,707
By major type of credit											
8 Automobile	246,109	267,180	264,474	267,180	269,883	273,133	276,762	278,567	279,418	282,254	282,809
9 Commercial banks	100,907	108,438	107,727	108,438	109,298	111,021	113,593	114,868	115,951	117,322	118,051
10 Credit unions	38,413	43,474	43,071	43,474	43,959	44,251	44,795	45,293	45,831	46,565	47,088
11 Finance companies	92,350	98,026	96,733	98,026	99,147	100,123	100,669	100,564	99,708	99,900	98,896
12 Savings institutions	14,439	17,242	16,943	17,242	17,479	17,738	17,705	17,841	17,928	18,465	18,773
13 Revolving	136,381	159,307	156,425	159,307	162,065	163,462	165,643	167,356	169,154	172,809	174,851
14 Commercial banks	86,757	98,808	97,378	98,808	100,879	101,537	103,152	104,250	105,742	108,309	109,558
15 Retailers	34,320	36,959	36,501	36,959	37,087	37,231	37,408	37,414	37,259	37,526	37,671
16 Gasoline companies	3,264	3,590	3,624	3,590	3,590	3,631	3,657	3,769	3,765	3,713	3,707
17 Savings institutions	8,366	13,279	12,636	13,279	13,601	13,945	14,059	14,309	14,518	15,098	15,494
18 Credit unions	3,674	6,671	6,286	6,671	6,908	7,117	7,368	7,614	7,870	8,162	8,421
19 Mobile home	26,883	25,957	26,604	25,957	25,926	25,857	25,732	25,764	25,703	25,852	25,892
20 Commercial banks	8,926	9,101	9,169	9,101	9,064	9,035	8,993	9,047	8,966	8,933	8,922
21 Finance companies	8,822	7,771	8,211	7,771	7,753	7,679	7,640	7,575	7,578	7,513	7,436
22 Savings institutions	9,135	9,085	9,224	9,085	9,109	9,143	9,099	9,142	9,159	9,406	9,534
23 Other	162,460	160,578	161,225	160,578	161,384	161,842	161,348	161,649	162,043	163,456	163,394
24 Commercial banks	65,549	65,217	65,276	65,217	65,512	65,750	65,094	65,001	64,887	65,710	65,518
25 Finance companies	32,526	34,275	33,984	34,275	34,795	35,144	35,744	36,376	37,168	37,335	37,480
26 Credit unions	34,104	30,920	31,566	30,920	30,795	30,529	30,432	30,297	30,180	30,184	30,041
27 Retailers	5,340	5,823	5,790	5,823	5,839	5,849	5,863	5,880	5,903	5,923	5,964
28 Savings institutions	24,941	24,343	24,609	24,343	24,444	24,570	24,216	24,095	23,904	24,305	24,392
	Net change (during period)										
29 **Total**	**54,078**	**41,189**	**1,802**	**4,294**	**6,236**	**5,036**	**5,191**	**3,851**	**2,982**	**8,054**	**2,573**
By major holder											
30 Commercial banks	20,495	19,425	695	2,014	3,189	2,591	3,487	2,335	2,380	4,729	1,774
31 Finance companies[2]	22,670	6,374	−308	1,144	1,623	1,251	1,107	463	−62	294	−936
32 Credit unions	4,268	4,874	251	142	597	235	698	609	677	1,031	638
33 Retailers[3]	466	3,122	279	491	144	154	191	24	−133	288	184
34 Savings institutions	7,223	7,068	955	537	684	763	−318	309	122	1,765	918
35 Gasoline companies	−1,044	326	−70	−34	0	41	26	112	−4	−52	−6
By major type of credit											
36 Automobile	36,473	21,071	651	2,706	2,703	3,250	3,629	1,805	851	2,836	555
37 Commercial banks	8,178	7,531	313	711	860	1,723	2,572	1,275	1,083	1,371	729
38 Credit unions	2,388	5,061	459	403	485	292	544	498	538	734	523
39 Finance companies	22,823	5,676	−528	1,293	1,121	976	546	−105	−856	192	−1,004
40 Savings institutions	3,084	2,803	407	299	237	259	−33	136	87	537	308
41 Revolving	14,368	22,926	1,229	2,882	2,758	1,397	2,181	1,713	1,798	3,655	2,042
42 Commercial banks	11,150	12,051	−38	1,430	2,071	658	1,615	1,098	1,492	2,567	1,249
43 Retailers	47	2,639	231	458	128	144	177	6	−155	267	145
44 Gasoline companies	−1,044	326	−70	−34	0	41	26	112	−4	−52	−6
45 Savings institutions	2,078	4,913	714	643	322	344	114	250	209	580	396
46 Credit unions	2,137	2,997	392	385	237	209	251	246	256	292	259
47 Mobile home	49	−926	−94	−647	−31	−69	−125	32	−61	149	40
48 Commercial banks	−627	175	−5	−68	−37	−29	−42	54	−81	−33	−11
49 Finance companies	−472	−1,051	−17	−440	−18	−74	−39	−65	3	−65	−77
50 Savings institutions	1,148	−50	−72	−139	24	34	−44	43	17	247	128
51 Other	3,188	−1,882	16	−647	806	458	−494	301	394	1,413	−62
52 Commercial banks	1,794	−332	425	−59	295	238	−656	−93	−114	823	−192
53 Finance companies	319	1,749	237	291	520	349	600	632	792	167	145
54 Credit unions	−257	−3,184	−600	−646	−125	−266	−97	−135	−117	4	−143
55 Retailers	419	483	48	33	16	10	14	17	23	20	41
56 Savings institutions	913	−598	−94	−266	101	126	−354	−121	−191	401	87

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.

These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

2. More detail for finance companies is available in the G. 20 statistical release.

3. Excludes 30-day charge credit held by travel and entertainment companies.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent unless noted otherwise

Item	1985	1986	1987	1988r Jan.	Feb.	Mar.	Apr.	May	June	July
INTEREST RATES										
Commercial banks[2]										
1 48-month new car[3]	12.91	11.33	10.45	n.a.	n.a.	11.57	n.a.	n.a.	11.51	n.a.
2 24-month personal	15.94	14.82	14.22	n.a.	n.a.	13.16	n.a.	n.a.	13.20	n.a.
3 120-month mobile home[3]	14.96	13.99	13.38	n.a.	n.a.	11.87	n.a.	n.a.	12.14	n.a.
4 Credit card	18.69	18.26	17.92	n.a.	n.a.	17.16	n.a.	n.a.	17.24	n.a.
Auto finance companies										
5 New car	11.98	9.44	10.73	12.84	12.97	13.06	13.10	13.08	13.07	13.07
6 Used car	17.59	15.95	14.60	17.61	17.78	17.88	17.89	17.17	17.39	17.52
OTHER TERMS[4]										
Maturity (months)										
7 New car	51.5	50.0	53.5	35.9	36.0	36.2	36.4	36.9	37.3	37.3
8 Used car	41.4	42.6	45.2	28.5	28.5	28.2	28.0	29.8	29.7	29.6
Loan-to-value ratio										
9 New car	91	91	93	87	87	87	86	87	87	87
10 Used car	94	97	98	99	97	97	96	95	96	96
Amount financed (dollars)										
11 New car	9,915	10,665	11,203	3,625	3,793	3,906	3,976	3,931	3,863	3,975
12 Used car	6,089	6,555	7,420	2,005	2,055	2,102	2,112	2,212	2,215	2,180

1. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.
2. Data for midmonth of quarter only.
3. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
4. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1983	1984	1985	1986	1987	1984	1985		1986		1987	
						H2	H1	H2	H1	H2	H1	H2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**550.2**	**753.9**	**854.8**	**831.7**	**672.2**	**790.4**	**722.7**	**986.8**	**679.1**	**984.4**	**623.1**	**721.4**
By sector and instrument												
2 U.S. government	186.6	198.8	223.6	215.0	143.8	207.2	204.8	242.5	207.2	222.8	152.8	134.9
3 Treasury securities	186.7	199.0	223.7	214.7	142.3	207.3	204.9	242.5	207.4	222.0	151.7	132.9
4 Agency issues and mortgages	−.1	−.2	−.1	.4	1.5	−.1	−.1	−.1	−.1	.9	1.0	2.0
5 Private domestic nonfinancial sectors	363.6	555.1	631.1	616.7	528.4	583.3	518.0	744.3	471.8	761.6	470.3	586.4
6 Debt capital instruments	253.4	313.6	447.8	452.7	435.6	342.5	350.4	545.2	365.6	539.8	443.6	427.7
7 Tax-exempt obligations	53.7	50.4	136.4	30.8	34.5	67.0	67.0	205.8	−15.6	77.2	34.9	34.1
8 Corporate bonds	16.0	46.1	73.8	121.3	99.4	69.8	62.2	85.3	135.3	107.3	97.3	101.6
9 Mortgages	183.6	217.1	237.7	300.6	301.7	205.7	221.2	254.2	245.9	355.4	311.4	291.9
10 Home mortgages	117.5	129.7	151.9	201.2	211.4	119.9	139.2	164.7	163.9	238.6	221.0	201.9
11 Multifamily residential	14.2	25.1	29.2	33.1	25.0	22.4	25.0	33.4	31.3	34.9	30.0	20.1
12 Commercial	49.3	63.2	62.5	74.6	71.5	63.8	59.5	65.5	59.7	89.6	69.8	73.1
13 Farm	2.6	−.9	−6.0	−8.4	−6.3	−.4	−2.5	−9.5	−9.0	−7.7	−9.3	−3.2
14 Other debt instruments	110.2	241.5	183.3	164.0	92.8	240.8	167.5	199.1	106.3	221.7	26.7	158.8
15 Consumer credit	56.6	90.4	94.6	65.8	41.8	86.2	95.3	93.9	71.0	60.6	28.3	55.2
16 Bank loans n.e.c.	23.2	67.1	38.6	66.5	9.3	63.0	21.0	56.2	12.2	120.8	−32.6	51.2
17 Open market paper	−.8	21.7	14.6	−9.3	2.3	16.8	14.4	14.8	−13.1	−5.5	4.5	.1
18 Other	31.3	62.2	35.5	41.0	39.4	74.7	36.8	34.2	36.2	45.8	26.6	52.2
19 By borrowing sector	363.6	555.1	631.1	616.7	528.4	583.3	518.0	744.3	471.8	761.6	470.3	586.4
20 State and local governments	34.0	27.4	91.8	44.3	33.9	38.6	56.3	127.2	4.3	84.3	33.2	34.7
21 Households	188.2	234.6	293.4	281.1	248.9	234.2	259.8	327.1	233.0	329.3	231.1	266.8
22 Farm	4.1	−.1	−13.9	−15.1	−11.7	.4	−7.0	−20.8	−16.9	−13.3	−17.8	−5.6
23 Nonfarm noncorporate	77.0	97.0	93.1	116.2	103.3	92.2	85.7	100.5	96.7	135.6	104.5	102.1
24 Corporate	60.3	196.0	166.7	190.2	153.9	217.8	123.2	210.3	154.7	225.8	119.4	188.5
25 Foreign net borrowing in United States	17.3	8.3	1.2	9.0	3.8	−19.4	−5.8	8.2	21.5	−3.5	−7.4	15.0
26 Bonds	3.1	3.8	3.8	2.6	6.3	6.3	5.5	2.1	6.2	−1.1	−1.7	14.3
27 Bank loans n.e.c.	3.6	−6.6	−2.8	−1.0	−3.6	−11.9	−5.8	.1	1.5	−3.5	−3.2	−4.1
28 Open market paper	6.5	6.2	6.2	11.5	2.1	−4.3	2.8	9.6	19.1	3.9	−5.3	9.5
29 U.S. government loans	4.1	5.0	−6.0	−4.0	−1.0	−9.6	−8.2	−3.7	−5.3	−2.7	2.7	−4.7
30 **Total domestic plus foreign**	**567.5**	**762.2**	**856.0**	**840.7**	**676.0**	**771.0**	**716.9**	**995.0**	**700.5**	**980.9**	**615.7**	**736.3**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**99.3**	**151.9**	**199.0**	**295.3**	**284.2**	**150.7**	**175.1**	**222.8**	**242.3**	**348.2**	**319.3**	**249.7**
By instrument												
32 U.S. government related	67.8	74.9	101.5	178.1	168.3	77.3	96.8	106.3	136.1	220.1	180.5	156.5
33 Sponsored credit agency securities	1.4	30.4	20.6	15.2	30.2	31.5	26.6	14.6	8.7	21.7	8.1	52.3
34 Mortgage pool securities	66.4	44.4	79.9	163.3	138.8	45.8	70.3	89.5	126.5	200.0	174.0	104.1
35 Loans from U.S. government	....	....	1.1	−.4	−.8	....	....	2.2	.8	−1.5	−1.5	....
36 Private financial sectors	31.5	77.0	97.4	117.2	116.0	73.5	78.3	116.5	106.2	128.1	138.7	93.2
37 Corporate bonds	17.4	36.2	48.6	69.0	65.8	41.5	48.9	48.3	72.1	66.0	80.2	51.4
38 Mortgages	*	.4	.1	.1	.3	.4	*	.1	.6	−.5	.2	.3
39 Bank loans n.e.c.	−.1	.7	2.6	4.0	−3.3	.7	2.3	2.9	4.0	4.0	−4.7	−1.9
40 Open market paper	21.3	24.1	32.0	24.2	28.8	16.0	14.6	49.4	15.1	33.4	49.4	8.2
41 Loans from Federal Home Loan Banks	−7.0	15.7	14.2	19.8	24.4	14.9	12.5	15.9	14.4	25.2	13.6	35.2
By sector												
42 Sponsored credit agencies	1.4	30.4	21.7	14.9	29.5	31.5	26.6	16.8	9.5	20.2	6.6	52.3
43 Mortgage pools	66.4	44.4	79.9	163.3	138.8	45.8	70.3	89.5	126.5	200.0	174.0	104.1
44 Private financial sectors	31.5	77.0	97.4	117.2	116.0	73.5	78.3	116.5	106.2	128.1	138.7	93.2
45 Commercial banks	5.0	7.3	−4.9	−3.6	7.1	−5.3	−4.7	−5.0	−2.7	−4.6	14.1	.1
46 Bank affiliates	12.1	15.6	14.5	4.6	3.0	10.8	10.2	18.9	−1.7	10.9	11.5	−5.6
47 Savings and loan associations	−2.1	22.7	22.3	29.8	35.7	23.3	14.2	30.4	25.5	34.0	27.7	43.8
48 Finance companies	12.9	18.9	53.9	49.7	30.8	29.6	49.7	58.1	53.1	46.3	32.9	28.7
49 REITs	−.1	.1	−.7	−.3	1.4	.1	−.6	−.8	.6	−1.3	*	2.9
50 CMO Issuers	3.7	12.4	12.2	37.1	38.0	15.0	9.5	14.9	31.4	42.8	52.6	23.3
	All sectors											
51 **Total net borrowing**	**666.8**	**914.1**	**1,054.9**	**1,136.0**	**960.2**	**921.8**	**892.1**	**1,217.8**	**942.8**	**1,329.1**	**935.0**	**986.0**
52 U.S. government securities	254.4	273.8	324.2	393.5	312.9	284.5	301.7	346.6	342.5	444.5	334.8	291.4
53 State and local obligations	53.7	50.4	136.4	30.8	34.5	67.0	67.0	205.8	−15.6	77.2	34.9	34.1
54 Corporate and foreign bonds	36.5	86.1	126.1	192.9	171.5	117.6	116.6	135.7	213.6	172.1	175.8	167.3
55 Mortgages	183.6	217.4	237.7	300.7	301.9	206.0	221.2	254.2	246.5	354.9	311.6	292.2
56 Consumer credit	56.6	90.4	94.6	65.8	41.8	86.2	95.3	93.9	71.0	60.6	28.3	55.2
57 Bank loans n.e.c.	26.7	61.1	38.3	69.5	2.4	51.8	17.5	59.2	17.7	121.3	−40.5	45.3
58 Open market paper	26.9	52.0	52.8	26.4	33.2	28.6	31.8	73.7	21.0	31.7	48.6	17.8
59 Other loans	28.4	82.9	44.8	56.5	62.1	80.0	41.1	48.6	46.1	66.8	41.5	82.7
	External corporate equity funds raised in United States											
60 **Total new share issues**	**61.8**	**−36.4**	**19.9**	**91.6**	**1.6**	**−24.9**	**3.0**	**36.7**	**100.8**	**82.3**	**84.5**	**−81.3**
61 Mutual funds	27.2	29.3	85.7	163.3	75.4	32.2	64.2	107.1	155.5	171.1	147.2	3.6
62 All other	34.6	−65.7	−65.8	−71.7	−73.8	−57.1	−61.2	−70.4	−54.7	−88.7	−62.7	−84.9
63 Nonfinancial corporations	28.3	−74.5	−81.5	−80.8	−76.5	−69.4	−75.5	−87.5	−68.7	−92.7	−70.0	−83.0
64 Financial corporations	2.6	7.8	12.0	8.3	5.4	8.8	11.2	12.8	7.5	9.1	5.4	5.3
65 Foreign shares purchased in United States	3.7	.9	3.7	.7	−2.7	3.5	3.1	4.3	6.6	−5.1	1.9	−7.2

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates.

Transaction category, or sector	1983	1984	1985	1986	1987	1984	1985		1986		1987	
						H2	H1	H2	H1	H2	H1	H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**550.2**	**753.9**	**854.8**	**831.7**	**672.2**	**790.4**	**722.7**	**986.8**	**679.1**	**984.4**	**623.1**	**721.4**
By public agencies and foreign												
2 Total net advances	114.0	157.6	202.3	319.7	231.6	182.5	195.8	208.7	264.7	374.6	237.0	226.3
3 U.S. government securities	26.3	39.3	47.1	84.8	58.2	51.0	50.3	43.9	74.0	95.6	45.4	71.0
4 Residential mortgages	76.1	56.5	94.6	160.3	135.6	57.4	88.6	100.7	123.7	196.9	166.8	104.6
5 FHLB advances to savings and loans	-7.0	15.7	14.2	19.8	24.4	14.9	12.5	15.9	14.4	25.2	13.6	35.2
6 Other loans and securities	18.6	46.2	46.3	54.7	13.4	59.2	44.4	48.2	52.6	56.9	11.1	15.4
Total advanced, by sector												
7 U.S. government	9.7	17.1	16.8	9.5	-13.7	26.6	25.1	8.4	10.8	8.2	-16.6	-11.2
8 Sponsored credit agencies	69.8	74.3	101.5	177.3	166.2	75.2	96.4	106.7	128.2	226.5	168.1	164.7
9 Monetary authorities	10.9	8.4	21.6	30.2	10.0	4.8	27.5	15.8	13.2	47.2	10.8	9.1
10 Foreign	23.7	57.9	62.3	102.6	69.2	75.9	46.8	77.8	112.5	92.7	74.6	63.8
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	67.8	74.9	101.5	178.1	168.3	77.3	96.8	106.3	136.1	220.1	180.5	156.5
12 Foreign	17.3	8.3	1.2	9.0	3.8	-19.4	-5.8	8.2	21.5	-3.5	-7.4	15.0
Private domestic funds advanced												
13 Total net advances	521.3	679.5	755.2	699.2	612.6	665.7	618.0	892.5	571.9	826.4	559.3	666.5
14 U.S. government securities	228.1	234.5	277.0	308.7	254.7	233.5	251.3	302.7	268.6	348.9	289.5	220.4
15 State and local obligations	53.7	50.4	136.4	30.8	34.5	67.0	67.0	205.8	-15.6	77.2	34.9	34.1
16 Corporate and foreign bonds	14.5	35.1	40.8	83.4	85.5	53.0	39.7	42.0	100.2	66.6	70.3	100.7
17 Residential mortgages	55.0	98.2	86.4	74.0	100.8	84.8	75.5	97.4	71.5	76.5	84.1	117.3
18 Other mortgages and loans	162.4	276.9	228.8	222.1	161.6	242.3	197.0	260.6	161.7	282.4	94.1	229.2
19 LESS: Federal Home Loan Bank advances	-7.0	15.7	14.2	19.8	24.4	14.9	12.5	15.9	14.4	25.2	13.6	35.2
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	395.8	559.8	579.5	726.9	558.7	532.1	483.8	675.2	638.5	815.3	578.5	538.9
21 Commercial banking	144.3	168.9	186.3	194.7	136.6	145.5	143.3	229.4	117.2	272.3	99.1	173.6
22 Savings institutions	135.6	150.2	83.0	105.5	135.8	133.5	54.5	111.4	94.5	116.6	106.4	165.1
23 Insurance and pension funds	100.1	121.8	156.0	176.7	177.2	95.3	139.4	172.5	169.0	184.4	210.2	144.2
24 Other finance	15.8	118.9	154.2	249.9	109.4	157.8	146.5	161.9	257.9	241.9	162.8	56.0
25 Sources of funds	395.8	559.8	579.5	726.9	558.7	532.1	483.8	675.2	638.5	815.3	578.5	538.9
26 Private domestic deposits and RPs	215.4	316.9	213.2	271.4	163.8	353.5	191.4	235.0	252.2	290.6	60.0	265.4
27 Credit market borrowing	31.5	77.0	97.4	117.2	116.0	73.5	78.3	116.5	106.2	128.1	138.7	93.2
28 Other sources	148.9	165.9	268.9	338.3	279.0	105.1	214.1	323.6	280.1	396.5	379.8	180.3
29 Foreign funds	14.6	8.8	19.7	12.9	44.0	1.7	10.8	28.6	11.9	14.0	24.5	63.5
30 Treasury balances	-5.3	4.0	10.3	1.7	-5.8	10.8	13.9	6.6	-4.2	7.6	4.3	-16.0
31 Insurance and pension reserves	109.7	118.6	141.0	152.8	147.8	74.6	118.6	163.4	136.6	168.9	175.2	120.3
32 Other, net	30.0	34.5	98.1	170.9	93.0	18.0	71.4	124.7	135.8	206.1	175.7	12.5
Private domestic nonfinancial investors												
33 Direct lending in credit markets	157.0	196.7	273.2	89.4	169.9	207.1	212.5	333.9	39.7	139.2	119.5	220.8
34 U.S. government securities	99.3	123.6	145.3	47.1	69.4	84.3	156.2	134.5	42.2	51.9	72.9	66.3
35 State and local obligations	40.3	30.4	47.6	-5.4	58.7	50.4	14.8	80.4	-67.6	56.8	25.6	91.8
36 Corporate and foreign bonds	-11.6	5.2	11.8	34.7	23.0	36.9	15.4	8.2	68.8	.7	-8.0	53.9
37 Open market paper	12.0	9.3	43.9	-4.8	6.8	3.0	3.5	84.2	-17.3	7.7	19.0	-5.5
38 Other	17.0	28.1	24.6	17.9	12.1	32.5	22.6	26.6	13.6	22.1	9.9	14.3
39 Deposits and currency	232.8	320.4	223.5	291.8	180.6	354.0	198.3	248.7	261.9	321.6	45.1	313.9
40 Currency	14.3	8.6	12.4	14.4	19.0	3.6	15.9	8.8	10.7	18.2	9.6	28.4
41 Checkable deposits	28.8	28.0	41.5	100.1	-.2	29.9	13.8	69.2	82.5	117.8	-21.6	21.3
42 Small time and savings accounts	215.4	150.7	138.6	120.8	78.8	169.9	162.1	115.1	112.6	129.0	51.7	105.9
43 Money market fund shares	-39.0	49.0	8.9	43.8	27.2	73.4	10.6	7.1	46.9	40.6	3.1	51.3
44 Large time deposits	-8.3	84.3	7.6	-11.6	31.0	79.1	-7.3	22.5	.2	-23.3	4.0	55.9
45 Security RPs	18.5	5.0	16.6	18.3	26.9	1.2	12.2	21.1	10.0	26.5	22.7	31.0
46 Deposits in foreign countries	3.1	-5.1	-2.1	5.9	-2.2	-3.1	-9.0	4.9	-.9	12.8	-24.5	20.1
47 **Total of credit market instruments, deposits, and currency**	**389.9**	**517.1**	**496.7**	**381.2**	**350.5**	**561.1**	**410.7**	**582.6**	**301.6**	**460.9**	**164.6**	**534.7**
48 Public holdings as percent of total	20.1	20.7	23.6	38.0	34.3	23.7	27.3	21.0	37.8	38.2	38.5	30.7
49 Private financial intermediation (in percent)	75.9	82.4	76.7	104.0	91.2	79.9	78.3	75.6	111.6	98.7	103.4	80.8
50 Total foreign funds	38.2	66.7	82.0	115.5	113.2	77.6	57.7	106.4	124.4	106.7	99.2	127.2
MEMO: Corporate equities not included above												
51 **Total net issues**	**61.8**	**-36.4**	**19.9**	**91.6**	**1.6**	**-24.9**	**3.0**	**36.7**	**100.8**	**82.3**	**84.5**	**-81.3**
52 Mutual fund shares	27.2	29.3	85.7	163.3	75.4	32.2	64.2	107.1	155.5	171.1	147.2	3.6
53 Other equities	34.6	-65.7	-65.8	-71.7	-73.8	-57.1	-61.2	-70.4	-54.7	-88.7	-62.7	-84.9
54 Acquisitions by financial institutions	51.1	19.7	43.4	50.6	43.0	39.7	59.5	27.3	46.5	54.6	67.4	18.5
55 Other net purchases	10.7	-56.1	-22.9	41.0	-41.4	-64.6	-55.8	9.5	54.3	27.7	17.1	-99.9

NOTES BY LINE NUMBER.
1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1985	1986	1987	1987	1988							
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July	Aug.[p]
1 **Industrial production**	**123.7**	**125.1**	**129.8**	**133.9**	**134.4**	**134.4**	**134.7**	**135.4**	**136.1**	**136.5**	**137.9**	**138.2**
Market groupings												
2 Products, total	130.6	133.3	138.3	141.3	142.7	143.4	143.6	144.14	145.0[r]	145.3	146.2	146.5
3 Final, total	131.0	132.5	136.8	139.8	141.1	141.6	141.8	142.5	143.5[r]	144.1	144.8	145.0
4 Consumer goods	119.8	124.0	127.7	129.8	131.2	131.3	131.2	131.9	132.7[r]	133.0	133.7	134.0
5 Equipment	145.8	143.6	148.8	153.1	154.3	155.3	155.9	156.5	157.7[r]	158.7	159.5	159.7
6 Intermediate	129.3	136.2	143.5	146.5	148.1	149.4	149.9	149.6	150.4[r]	149.7	150.9	151.5
7 Materials	114.3	113.8	118.2	123.7	123.0	122.1	122.5	123.6	123.9[r]	124.4	126.5	126.9
Industry groupings												
8 Manufacturing	126.4	129.1	134.6	138.9	139.4	139.5	140.0	140.8	141.8[r]	142.1	143.4	143.7
Capacity utilization (percent)[2]												
9 Manufacturing	80.1	79.7	81.1	82.6	82.7	82.6	82.7	82.9	83.3[r]	83.3	83.9	83.8
10 Industrial materials industries	80.3	78.6	80.5	83.6	83.0	82.3	82.4	82.9	83.0[r]	83.2	84.4	84.5
11 Construction contracts (1982 = 100)[3]	150.0	158.0	161.0	157.0	145.0	159.0	154.0	144.0	157.0	165.0	156.0	155.0
12 Nonagricultural employment, total[4]	118.3	120.7	124.1	126.1	126.4	127.0	127.3	127.7	127.9	128.6	128.9	129.1
13 Goods-producing, total	102.1	100.9	101.8	103.5	103.4	103.8	104.1	104.5	104.6	105.1	105.4	105.4
14 Manufacturing, total	97.8	96.3	96.8	98.3	98.4	98.5	98.6	98.8	99.0	99.3	99.5	99.5
15 Manufacturing, production-worker	92.6	91.2	92.1	93.5	93.5	93.7	93.7	93.9	94.1	94.4	94.6	94.6
16 Service-producing	125.0	129.0	133.4	135.6	136.1	136.7	137.1	137.4	137.7	138.4	138.7	139.1
17 Personal income, total	206.9	219.7	235.1	245.0	244.0	245.5	248.0	248.8	250.2[r]	251.6	253.3	253.7
18 Wages and salary disbursements	198.8	210.7	226.2	236.8	235.7	237.3	238.9	240.9	242.3	244.2	246.7	247.4
19 Manufacturing	172.8	177.4	183.8	188.2	189.4	190.2	193.6	192.8	193.8	195.4	196.7	196.7
20 Disposable personal income[5]	205.8	218.9	232.7	242.1	242.4	244.8	247.0	243.3	249.5	251.2	252.8	253.2
21 Retail sales[6]	189.6	199.5	209.3	214.2	214.5	216.7	220.3	219.4	221.2	222.5	222.8	222.3
Prices[7]												
22 Consumer (1982–84 = 100)	107.6	109.6	113.6	115.4	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0
23 Producer finished goods (1982 = 100)	104.7	103.2	105.4	105.8	106.3	106.1	106.3[r]	107.0[r]	107.5	107.9	108.5	108.8

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.

4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.

5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).

6. Based on Bureau of Census data published in *Survey of Current Business*.

7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1985	1986	1987	1988							
				Jan.	Feb.	Mar.	Apr.	May	June	July^r	Aug.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**180,440**	**182,822**	**185,010**	**186,083**	**186,219**	**186,361**	**186,478**	**186,600**	**186,755**	**186,911**	**187,033**
2 Labor force (including Armed Forces)[1]	117,695	120,078	122,122	123,436	123,598	123,153	123,569	123,204	123,665	123,866	124,234
3 Civilian labor force	115,461	117,834	119,865	121,175	121,348	120,903	121,323	120,978	121,472	121,684	122,031
Employment											
4 Nonagricultural industries[2]	103,971	106,434	109,232	110,836	111,182	110,899	111,485	111,160	111,933	112,014	112,029
5 Agriculture	3,179	3,163	3,208	3,293	3,228	3,204	3,228	3,035	3,085	3,046	3,151
Unemployment											
6 Number	8,312	8,237	7,425	7,046	6,938	6,801	6,610	6,783	6,455	6,625	6,851
7 Rate (percent of civilian labor force)	7.2	7.0	6.2	5.8	5.7	5.6	5.4	5.6	5.3	5.4	5.6
8 Not in labor force	62,745	62,744	62,888	62,647	62,621	63,208	62,909	63,396	63,090	63,045	62,799
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**97,519**	**99,525**	**102,310**	**104,262**	**104,729**	**105,020**	**105,281**	**105,489**	**106,057^r**	**106,257**	**106,476**
10 Manufacturing	19,260	18,965	19,065	19,369	19,390	19,405	19,460	19,490	19,544^r	19,589	19,584
11 Mining	927	777	721	728	731	733	737	739	740	741	735
12 Contract construction	4,673	4,816	4,998	5,083	5,150	5,192	5,238	5,237	5,308^r	5,325	5,328
13 Transportation and public utilities	5,238	5,255	5,385	5,499	5,513	5,530	5,543	5,556	5,582^r	5,597	5,609
14 Trade	23,073	23,683	24,381	24,937	25,080	25,111	25,182	25,245	25,353^r	25,438	25,480
15 Finance	5,955	6,283	6,549	6,633	6,636	6,651	6,650	6,656	6,679^r	6,686	6,696
16 Service	22,000	23,053	24,196	24,795	24,975	25,078	25,163	25,216	25,472^r	25,551	25,648
17 Government	16,394	16,693	17,015	17,218	17,254	17,320	17,308	17,350	17,379^r	17,330	17,396

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1987		1988		1987		1988		1987		1988	
	Q3	Q4	Q1	Q2[r]	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[r]
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**131.0**	**133.2**	**134.5**	**136.0**	**161.3**	**162.2**	**163.1**	**164.2**	**81.2**	**82.1**	**82.4**	**82.8**
2 Mining	100.7	104.3	102.5	103.3	129.0	128.4	127.7	127.0	78.0	81.2	80.3	81.4
3 Utilities	111.8	112.3	114.7	111.7	138.8	139.4	139.8	140.1	80.5	80.6	82.0	79.7
4 **Manufacturing**	**135.7**	**138.1**	**139.6**	**141.6**	**166.7**	**167.7**	**168.9**	**170.2**	**81.4**	**82.3**	**82.7**	**83.2**
5 Primary processing	119.2	122.2	123.0	123.9	139.8	140.6	141.6	142.7	85.3	86.9	86.9	86.8
6 Advanced processing	145.8	147.6	149.7	152.3	182.9	184.1	185.6	186.7	79.7	80.1	80.7	81.5
7 **Materials**	**119.2**	**122.5**	**122.5**	**124.0**	**147.2**	**147.8**	**148.5**	**149.3**	**81.0**	**82.9**	**82.5**	**83.0**
8 Durable goods	125.7	130.3	131.5	134.2	163.9	164.7	165.7	166.8	76.7	79.1	79.4	80.4
9 Metal materials	83.8	91.4	86.2	88.1	109.4	108.9	108.8	109.1	76.5	84.0	79.2	80.8
10 Nondurable goods	128.2	130.1	129.4	130.5	144.7	145.6	146.8	148.3	88.6	89.3	88.1	88.0
11 Textile, paper, and chemical	130.5	133.0	131.6	132.6	144.4	145.4	146.7	148.5	90.4	91.5	89.7	89.3
12 Paper	144.6	145.1	145.7	145.9	145.1	146.2	147.6	149.2	99.6	99.2	98.7	97.8
13 Chemical	130.2	135.5	133.5	135.7	150.9	152.0	153.5	155.4	86.3	89.1	87.0	87.3
14 Energy materials	100.0	102.1	100.9	100.4	120.1	119.9	119.7	119.4	83.3	85.2	84.3	84.1

Series	Previous cycle[2]		Latest cycle[3]		1987	1987	1988							
	High	Low	High	Low	Aug.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July[r]	Aug.
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**81.4**	**82.4**	**82.5**	**82.4**	**82.4**	**82.7**	**82.9**	**83.0**	**83.6**	**83.7**
16 Mining	92.8	87.8	95.2	76.9	78.2	81.5	80.7	79.5	80.6	82.3	80.8	81.0	83.0	82.9
17 Utilities	95.6	82.9	88.5	78.0	81.3	80.0	82.4	82.6	81.0	79.3	79.7	80.2	80.7	82.4
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**81.5**	**82.6**	**82.7**	**82.6**	**82.7**	**82.9**	**83.3**	**83.3**	**83.9**	**83.8**
19 Primary processing	91.9	68.3	89.1	65.0	85.3	87.6	87.1	86.6	86.9	86.9	87.0	86.6	87.8	87.8
20 Advanced processing	86.0	71.1	85.1	69.5	79.9	80.3	80.7	80.7	80.7	81.2	81.7	81.7	82.1	82.1
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.5**	**81.1**	**83.6**	**83.0**	**82.3**	**82.4**	**82.9**	**83.0**	**83.2**	**84.4**	**84.5**
22 Durable goods	91.8	64.4	89.8	60.9	76.6	80.0	79.7	79.3	79.1	79.7	80.8	80.7	81.7	81.8
23 Metal materials	99.2	67.1	93.6	45.7	77.5	86.3	80.1	79.3	78.3	79.3	82.1	80.8	84.2	85.5
24 Nondurable goods	91.1	66.7	88.1	70.7	88.6	90.8	88.8	87.3	88.3	88.7	87.7	87.6	89.0	88.6
25 Textile, paper, and chemical	92.8	64.8	89.4	68.8	90.5	93.1	90.8	88.5	89.9	90.1	88.8	88.9	90.3	89.7
26 Paper	98.4	70.6	97.3	79.9	99.9	101.6	100.6	97.8	97.8	98.1	98.1	97.2	98.7	......
27 Chemical	92.5	64.4	87.9	63.5	86.4	90.9	87.8	85.7	87.5	88.0	86.9	87.0	88.6	......
28 Energy materials	94.6	86.9	94.0	82.3	84.0	84.8	84.7	84.1	84.1	84.5	83.3	84.4	86.2	86.9

1. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2. Monthly high 1973; monthly low 1975.

3. Monthly highs 1978 through 1980; monthly lows 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data are seasonally adjusted

Groups	1977 proportion	1987 avg.	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May[r]	1988 June	1988 July[p]	1988 Aug.[e]
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**129.8**	**131.2**	**131.0**	**132.5**	**133.2**	**133.9**	**134.4**	**134.4**	**134.7**	**135.4**	**136.1**	**136.5**	**137.9**	**138.2**
2 Products	57.72	138.3	139.9	139.4	140.9	141.0	141.3	142.7	143.4	143.6	144.1	145.0	145.3	146.2	146.5
3 Final products	44.77	136.8	138.4	137.8	139.3	139.2	139.8	141.1	141.6	141.8	142.5	143.5	144.1	144.8	145.0
4 Consumer goods	25.52	127.7	129.4	127.7	129.0	129.4	129.8	131.2	131.3	131.2	131.9	132.7	133.0	133.7	134.0
5 Equipment	19.25	148.8	150.2	151.2	153.0	152.2	153.1	154.3	155.3	155.9	156.5	157.7	158.7	159.5	159.7
6 Intermediate products	12.94	143.4	145.3	144.9	146.1	147.3	146.5	148.1	149.4	149.9	149.6	150.4	149.7	150.9	151.5
7 Materials	42.28	118.2	119.4	119.7	121.2	122.5	123.7	123.0	122.1	122.5	123.6	123.9	124.4	126.5	126.9
Consumer goods															
8 Durable consumer goods	6.89	120.2	121.2	118.6	124.3	123.9	120.3	121.7	120.6	120.4	123.3	125.6	125.3	125.4	125.6
9 Automotive products	2.98	118.5	118.0	114.2	124.3	121.3	115.4	118.7	117.6	120.6	121.9	127.1	127.1	124.2	125.3
10 Autos and trucks	1.79	115.1	112.4	107.2	122.2	118.7	110.2	112.8	111.8	116.4	118.0	126.9	125.3	120.1	121.5
11 Autos, consumer	1.16	90.7	76.8	79.1	94.7	91.9	83.7	77.5	79.5	86.3	91.0	98.9	99.0	93.8	92.6
12 Trucks, consumer	.63	160.5	178.4	159.4	173.2	168.5	159.5	178.3	171.6	172.2	168.2	178.9	174.1	168.7	....
13 Auto parts and allied goods	1.19	123.5	126.6	124.8	127.5	125.2	123.3	127.7	126.4	126.9	127.8	127.4	129.8	130.5	131.1
14 Home goods	3.91	121.6	123.6	121.9	124.3	125.8	123.9	124.0	122.8	120.2	124.3	124.4	123.9	126.3	125.7
15 Appliances, A/C and TV	1.24	141.5	147.1	141.8	145.7	150.1	142.7	142.2	140.6	132.8	143.2	142.2	138.0	143.3	143.2
16 Appliances and TV	1.19	142.1	145.5	140.6	146.1	150.5	142.6	140.9	141.4	132.7	142.2	143.0	137.1	143.8	....
17 Carpeting and furniture	.96	130.7	132.0	131.6	132.9	133.5	133.9	134.2	132.3	133.1	133.1	135.8	135.9	136.4	....
18 Miscellaneous home goods	1.71	102.0	102.0	102.2	104.1	103.9	104.8	105.2	104.7	103.9	105.7	105.2	107.0	108.4	....
19 Nondurable consumer goods	18.63	130.5	132.5	131.0	130.8	131.5	133.3	134.7	135.3	135.1	135.1	135.4	135.9	136.7	137.1
20 Consumer staples	15.29	137.3	139.2	137.8	137.4	138.3	140.7	142.3	142.9	142.5	142.5	143.1	143.6	144.8	145.3
21 Consumer foods and tobacco	7.80	136.2	137.4	137.0	137.5	137.3	139.2	140.3	140.8	139.4	138.3	139.2	139.5	141.0	....
22 Nonfood staples	7.49	138.5	141.2	138.6	137.2	139.4	142.2	144.3	145.0	145.7	146.8	147.0	147.8	148.8	150.1
23 Consumer chemical products	2.75	162.9	167.4	163.6	160.0	163.5	167.7	170.7	171.7	172.7	175.6	177.9	179.5	182.0	....
24 Consumer paper products	1.88	151.8	153.9	153.2	151.8	152.8	157.0	157.1	157.5	159.1	161.4	162.4	162.6	161.3	....
25 Consumer energy	2.86	106.3	107.7	105.0	105.8	107.4	108.0	110.6	111.3	111.0	109.6	107.3	107.7	108.7	....
26 Consumer fuel	1.44	93.1	91.4	91.6	92.4	93.2	95.4	95.4	97.0	97.9	98.9	94.3	93.0	94.2	....
27 Residential utilities	1.42	119.8	124.3	118.7	119.4	121.8	120.7	126.0	125.8	124.5	120.5	120.6	122.6	....	....
Equipment															
28 Business and defense equipment	18.01	153.6	154.5	155.2	157.2	156.6	157.8	159.2	160.3	160.8	161.4	162.7	163.7	164.6	164.8
29 Business equipment	14.34	144.5	145.6	146.3	148.7	148.3	149.8	151.2	152.4	153.3	154.6	156.9	158.4	159.3	159.7
30 Construction, mining, and farm	2.08	62.2	66.4	66.1	66.5	66.3	67.4	67.1	67.6	68.3	70.8	71.8	72.4	72.6	72.9
31 Manufacturing	3.27	117.9	120.9	122.0	120.5	120.6	122.2	125.4	124.9	127.0	127.7	128.3	130.3	133.8	136.0
32 Power	1.27	82.6	82.8	81.1	83.0	83.1	84.2	86.2	88.3	87.8	87.0	87.4	88.3	90.0	90.6
33 Commercial	5.22	226.5	227.7	229.1	232.4	232.1	235.5	238.0	240.3	239.9	241.5	245.7	247.1	247.2	246.6
34 Transit	2.49	108.4	104.7	105.1	112.5	111.2	109.1	106.5	108.2	111.1	112.3	115.3	116.9	116.7	116.7
35 Defense and space equipment	3.67	188.9	189.1	189.8	190.3	188.7	188.9	190.6	191.0	189.9	187.9	185.5	184.6	185.4	184.9
Intermediate products															
36 Construction supplies	5.95	131.5	132.5	132.3	133.3	134.2	133.8	136.8	137.7	137.3	137.6	138.8	137.3	137.6	138.0
37 Business supplies	6.99	153.5	156.3	155.6	157.1	158.4	157.4	157.8	159.4	160.7	159.9	160.3	160.3	162.3	....
38 General business supplies	5.67	158.6	161.0	160.9	162.3	164.3	163.3	163.1	165.0	166.6	165.7	165.5	165.7	168.0	....
39 Commercial energy products	1.31	131.1	135.8	132.7	134.6	132.9	131.8	135.0	135.3	135.3	134.6	137.8	137.0	137.5	....
Materials															
40 Durable goods materials	20.50	125.0	125.5	126.4	128.7	130.2	132.0	131.8	131.4	131.3	132.7	134.8	135.0	136.9	137.3
41 Durable consumer parts	4.92	100.9	99.6	99.0	102.3	103.1	104.6	104.7	104.4	103.5	106.2	110.0	110.3	110.2	109.8
42 Equipment parts	5.94	159.0	159.5	161.1	162.2	163.2	165.3	167.4	167.6	167.3	168.9	170.8	171.6	173.5	173.8
43 Durable materials n.e.c.	9.64	116.4	117.9	118.9	121.6	123.6	125.5	123.7	123.0	123.4	124.0	125.3	125.0	128.0	128.8
44 Basic metal materials	4.64	86.7	90.4	91.3	95.3	96.5	100.0	92.9	91.4	90.5	91.6	94.8	93.7	97.6	99.2
45 Nondurable goods materials	10.09	125.8	128.3	128.6	128.2	129.6	132.5	129.9	128.1	130.1	131.1	130.1	130.4	132.9	132.7
46 Textile, paper, and chemical materials	7.53	127.6	130.6	131.2	131.0	132.3	135.6	132.7	129.9	132.4	133.3	131.9	132.5	135.1	134.8
47 Textile materials	1.52	111.7	116.7	116.0	113.0	112.7	113.6	112.6	110.2	112.7	111.9	107.5	110.0	110.6	....
48 Pulp and paper materials	1.55	141.0	145.0	143.3	142.0	144.4	149.0	148.0	144.4	144.8	145.8	146.4	145.5	148.3	....
49 Chemical materials	4.46	128.4	130.4	132.2	133.4	134.7	138.4	134.2	131.5	134.8	136.2	135.1	135.7	138.9	....
50 Miscellaneous nondurable materials	2.57	120.4	121.4	120.9	119.7	121.7	123.3	121.8	123.0	123.2	124.6	125.1	124.2	....	....
51 Energy materials	11.69	99.8	100.9	100.2	101.8	102.8	101.7	101.4	100.6	100.6	101.0	99.5	100.7	102.8	103.5
52 Primary energy	7.57	105.0	104.6	104.6	106.8	108.4	107.7	107.3	104.8	105.0	106.7	104.0	105.2	107.5	....
53 Converted fuel materials	4.12	90.3	94.1	92.2	92.7	92.6	90.7	90.6	93.0	92.6	90.5	91.2	92.5	94.2	....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Groups	SIC code	1977 proportion	1987 avg.	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May[r]	1988 June	1988 July[p]	1988 Aug.[e]
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	.....	15.79	104.3	105.4	105.4	106.8	107.9	107.3	107.8	106.8	106.7	107.1	106.0	106.3	108.1	108.8
2 Mining	.....	9.83	100.7	100.9	101.9	103.6	104.6	104.6	103.3	101.5	102.7	104.7	102.6	102.6	104.9	104.6
3 Utilities	.....	5.96	110.3	112.9	111.2	112.1	113.2	111.7	115.2	115.6	113.3	111.0	111.6	112.4	113.3	115.6
4 Manufacturing	.....	84.21	134.6	135.9	135.7	137.3	137.9	138.9	139.4	139.5	140.0	140.8	141.8	142.1	143.4	143.7
5 Nondurable	.....	35.11	136.7	138.8	138.6	138.1	139.6	141.3	141.4	141.1	141.7	142.3	142.1	142.7	144.1	144.2
6 Durable	.....	49.10	133.1	133.8	133.7	136.8	136.7	137.3	137.9	138.4	138.8	139.7	141.5	141.7	142.9	143.3
Mining																
7 Metal	10	.50	77.5	79.3	86.5	85.6	90.4	96.5	91.5	83.9	84.9	86.9	86.0	82.3	......	......
8 Coal	11.12	1.60	131.8	130.5	133.3	140.3	142.9	140.6	140.2	133.7	129.1	136.0	127.8	126.9	141.5	138.4
9 Oil and gas extraction	13	7.07	92.7	93.0	93.3	94.1	94.2	94.1	93.1	92.4	94.8	95.5	94.6	95.3	94.4	......
10 Stone and earth minerals	14	.66	128.2	130.3	130.0	131.0	134.1	135.6	132.1	134.3	136.9	141.2	140.1	137.4	142.9	......
Nondurable manufactures																
11 Foods	20	7.96	137.7	138.8	139.5	138.0	138.9	140.1	141.2	141.9	141.1	140.3	141.0	141.5	142.8	......
12 Tobacco products	21	.62	103.4	110.4	101.7	103.7	106.5	110.5	105.8	107.0	107.2	107.2	107.2	104.5	......	......
13 Textile mill products	22	2.29	115.8	119.8	118.2	116.8	117.3	118.2	116.2	115.3	117.0	117.3	114.6	116.1	116.4	......
14 Apparel products	23	2.79	107.4	108.4	107.6	108.0	109.4	107.8	108.7	108.5	108.7	109.2	108.6	109.3	......	......
15 Paper and products	26	3.15	144.4	148.9	147.4	146.0	148.3	150.6	149.9	148.0	149.1	149.2	149.5	148.5	151.3	......
16 Printing and publishing	27	4.54	172.0	174.7	174.9	175.2	175.7	176.9	177.5	178.7	180.4	181.8	180.7	182.0	182.9	183.5
17 Chemicals and products	28	8.05	140.1	142.3	142.4	141.5	144.4	147.9	147.9	145.4	146.4	148.9	149.1	150.4	153.2	......
18 Petroleum products	29	2.40	93.5	92.9	93.5	94.6	93.3	96.1	96.3	95.9	98.4	98.5	95.2	94.1	94.3	94.8
19 Rubber and plastic products	30	2.80	163.6	164.8	165.2	166.7	169.9	170.6	170.5	172.3	172.2	172.3	173.4	174.4	176.2	......
20 Leather and products	31	.53	60.0	61.3	60.7	59.6	60.7	57.5	58.3	59.7	59.5	58.0	57.1	58.9	56.9	......
Durable manufactures																
21 Lumber and products	24	2.30	130.3	131.1	126.9	129.8	134.0	133.6	136.3	139.0	137.8	138.0	139.8	136.2	134.4	......
22 Furniture and fixtures	25	1.27	152.8	155.2	155.9	156.0	158.5	159.4	158.0	158.3	159.4	159.2	160.5	161.2	163.2	......
23 Clay, glass, and stone products	32	2.72	119.1	116.5	118.6	118.9	120.5	120.1	120.4	121.6	122.5	121.4	121.5	123.3	123.8	......
24 Primary metals	33	5.33	81.5	85.1	84.5	90.6	90.2	90.6	86.5	86.4	85.1	85.3	89.2	87.5	91.4	93.0
25 Iron and steel	331.2	3.49	70.8	76.0	74.6	82.0	79.7	81.9	77.8	77.4	74.2	74.5	78.6	74.2	80.0	......
26 Fabricated metal products	34	6.46	111.0	110.1	111.1	113.5	113.6	115.8	117.1	117.6	118.8	118.8	119.8	120.6	122.4	122.8
27 Nonelectrical machinery	35	9.54	152.7	154.3	156.6	158.0	157.2	161.0	162.9	163.6	164.6	167.2	170.3	171.3	172.6	172.6
28 Electrical machinery	36	7.15	172.3	174.3	173.4	175.5	175.6	175.9	177.4	177.8	176.6	178.7	179.1	179.5	181.3	181.7
29 Transportation equipment	37	9.13	129.2	128.1	125.5	132.0	130.4	128.1	128.6	128.4	130.0	130.4	133.1	132.8	132.4	132.3
30 Motor vehicles and parts	371	5.25	111.8	109.1	105.6	116.0	114.0	110.2	109.7	109.3	113.0	114.8	119.6	119.1	116.4	116.9
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	152.8	153.9	152.5	153.7	152.7	152.4	154.2	154.5	153.0	151.5	151.5	151.3	154.0	153.2
32 Instruments	38	2.66	143.9	146.3	145.6	146.7	147.8	145.5	148.2	149.2	149.7	150.5	151.3	152.8	155.7	157.0
33 Miscellaneous manufactures	39	1.46	102.6	102.2	102.1	104.6	104.5	105.6	105.0	104.4	105.1	105.9	106.0	107.6	108.4	......
Utilities																
34 Electric	.....	4.17	126.6	132.0	127.5	126.8	127.5	125.6	130.3	130.7	129.0	127.6	129.7	131.3	132.5	......
		Gross value (billions of 1982 dollars, annual rates)														
MAJOR MARKET																
35 Products, total	.....	**517.5**	**1,735.8**	**1,741.7**	**1,735.9**	**1,774.1**	**1,772.4**	**1,778.8**	**1,790.6**	**1,797.5**	**1,807.5**	**1,812.2**	**1,820.1**	**1,814.5**	**1,818.0**	**1,824.3**
36 Final	.....	405.7	1,333.8	1,334.9	1,330.3	1,360.9	1,359.9	1,359.4	1,375.5	1,381.1	1,385.9	1,393.9	1,397.1	1,395.4	1,397.0	1,402.1
37 Consumer goods	.....	272.7	866.0	866.4	856.9	876.6	879.8	881.2	893.6	893.7	893.2	899.1	898.9	894.2	892.5	897.0
38 Equipment	.....	133.0	467.8	468.5	473.4	484.4	480.1	478.2	481.9	487.3	492.7	494.7	498.3	501.2	504.5	505.1
39 Intermediate	.....	111.9	402.0	406.8	405.6	413.2	412.5	419.4	415.1	416.5	421.6	418.4	423.0	419.1	421.0	422.2

1. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.
A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1985	1986	1987	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May[r]	1988 June[r]	1988 July
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,733	1,750	1,535	1,453	1,459	1,372	1,248	1,429	1,476	1,449	1,436	1,493	1,420
2 1-family	957	1,071	1,024	962	971	957	918	1,003	1,030	960	982	1,002	984
3 2-or-more-family	777	679	511	491	488	415	330	426	446	489	454	491	436
4 Started	1,742	1,805	1,621	1,538	1,661	1,399	1,382	1,519	1,529	1,584	1,393	1,465	1,485
5 1-family	1,072	1,179	1,146	1,105	1,129	1,035	1,016	1,102	1,172	1,093	1,004	1,092	1,064
6 2-or-more-family	669	626	474	433	532	364	366	417	357	491	389	373	421
7 Under construction, end of period[1]	1,063	1,074	987	1,044	1,042	1,016	1,008	983	999	999	984	984	981
8 1-family	539	583	591	627	625	618	614	596	617	622	610	610	609
9 2-or-more-family	524	490	397	417	417	398	394	387	382	377	374	374	372
10 Completed	1,703	1,756	1,669	1,565	1,571	1,624	1,550	1,452	1,598	1,665	1,450	1,502	1,506
11 1-family	1,072	1,120	1,123	1,114	1,088	1,104	1,098	1,043	1,094	1,059	1,090	1,096	1,062
12 2-or-more-family	631	637	546	451	483	520	452	409	504	606	360	406	444
13 Mobile homes shipped	284	244	233	234	222	227	200	208	212	213	216	230	206
Merchant builder activity in 1-family units													
14 Number sold	688	748	672	653	625	586	579	648	664	681	675	720	686
15 Number for sale, end of period[1]	350	361	370	360	362	365	368	359	372	367[r]	370	365	365
Price (thousands of dollars)[2]													
Median													
16 Units sold	84.3	92.2	104.7	106.5	117.0	111.8	119.0	110.9	108.9	111.0	111.0	117.0	123.5
Average													
17 Units sold	101.0	112.2	127.9	125.8	139.2	136.2	144.4	137.6	133.2	135.6	133.4	139.3	146.0
EXISTING UNITS (1-family)													
18 Number sold	3,217	3,566	3,530	3,470	3,370	3,330	3,170	3,250	3,330	3,520	3,590	3,820	3,630
Price of units sold (thousands of dollars)[2]													
19 Median	75.4	80.3	85.6	84.6	85.0	85.4	87.4	88.1	87.9	87.3	88.8	90.2	90.7
20 Average	90.6	98.3	106.2	106.1	106.6	107.1	108.7	110.4	110.7	108.7	111.9	115.4	114.8
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 **Total put in place**	**355,735**	**386,093**	**398,848**	**400,818**	**407,066**	**410,870**	**395,264**	**392,456**	**403,555**	**399,163**	**402,268**	**396,193**	**401,000**
22 Private	291,665	314,651	323,819	325,915	331,497	331,641	321,550	317,754	324,257	319,979	322,157	317,956	319,779
23 Residential	158,475	187,147	194,772	194,547	195,599	195,822	195,168	192,097	195,554	191,665	189,874	187,267	188,266
24 Nonresidential, total	133,190	127,504	129,047	131,368	135,898	135,819	126,382	125,657	128,703	128,314	132,283	130,689	131,513
Buildings													
25 Industrial	15,769	13,747	13,707	13,968	14,512	14,130	13,480	13,489	14,546	15,235	15,690	13,868	13,756
26 Commercial	59,629	56,762	55,448	56,890	59,374	55,831	53,555	53,571	54,843	56,023	57,390	56,749	57,311
27 Other	12,619	13,216	15,464	16,018	16,692	17,708	16,954	17,101	17,301	16,409	16,882	16,840	16,616
28 Public utilities and other	45,173	43,779	44,428	44,492	45,320	48,150	42,393	41,496	42,013	40,647	42,321	43,232	43,830
29 Public	64,070	71,437	75,028	74,903	75,569	79,228	73,715	74,702	79,298	79,184	80,111	78,237	81,221
30 Military	3,235	3,868	4,327	4,010	5,080	4,879	4,172	3,280	4,216	4,414	4,297	4,657	4,362
31 Highway	21,540	22,681	22,758	24,374	23,439	25,274	24,808	25,348	26,963	27,276	25,536	24,973	28,227
32 Conservation and development	4,777	4,646	5,162	5,144	4,871	5,759	4,038	4,535	4,899	4,470	4,758	4,862	5,021
33 Other	34,518	40,242	42,781	41,375	42,179	43,316	40,697	41,539	43,220	43,024	45,520	43,745	43,611

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level Aug. 1988[1]
	1987 Aug.	1988 Aug.	1987 Sept.	1987 Dec.	1988 Mar.	1988 June	1988 Apr.	1988 May	1988 June	1988 July	1988 Aug.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**4.3**	**4.0**	**3.9**	**3.2**	**4.2**	**4.5**	**.4**	**.3**	**.3**	**.4**	**.4**	**119.0**
2 Food	3.5	4.9	2.1	2.8	1.4	7.1	.7	.4	.6	1.0	.6	119.4
3 Energy items	8.4	−.4	6.0	−3.9	−4.9	4.2	.8	.5	−.2	.3	.9	92.3
4 All items less food and energy	4.2	4.4	3.8	4.4	5.4	4.3	.4	.2	.4	.3	.2	123.8
5 Commodities	3.0	3.0	2.9	2.5	4.7	3.9	.6	.2	.2	.3	−.3	115.2
6 Services	4.9	5.0	4.3	5.0	5.9	4.5	.2	.4	.5	.4	.5	128.8
PRODUCER PRICES (1982=100)												
7 Finished goods	3.1	2.7	3.8	−1.9	2.7	4.6	.4r	.4r	.4	.5	.6	108.8
8 Consumer foods	−.1	3.7	−1.8	−5.7	6.0	9.4	.4r	.8r	1.1	.4	.4	113.6
9 Consumer energy	17.1	−4.8	16.5	−9.6	−18.5	4.8	2.7	.2	−1.6	.0	2.2	61.8
10 Other consumer goods	2.9	4.2	4.6	1.7	5.7	2.4	.0r	.3	.3	.9	.3	119.1
11 Capital equipment	1.9	2.5	4.0	−.7	3.2	3.6	.2	.4	.4	.1	.4	114.5
12 Intermediate materials[3]	4.6	5.3	5.6	4.3	4.3	7.4	.7	.6	.6	.6	.4	108.1
13 Excluding energy	3.1	7.3	5.3	7.2	8.2	6.9	.7r	.4r	.5	.7	.4	116.1
Crude materials												
14 Foods	1.0	13.4	−4.8	−4.8	17.7	30.5	.2	2.4	4.2	1.5	2.2	110.1
15 Energy	21.6	−15.1	5.9	−15.2	−24.1	12.2	2.8r	1.1r	−1.0	−5.4	.1	67.0
16 Other	19.8	12.7	39.4	18.0	15.9	−7.0	−.7r	−1.3r	.2	1.9	.9	133.8

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1985	1986	1987	1987 Q2	1987 Q3	1987 Q4	1988 Q1	1988 Q2[r]
GROSS NATIONAL PRODUCT								
1 **Total**	**4,014.9**	**4,240.3**	**4,526.7**	**4,484.2**	**4,568.0**	**4,662.8**	**4,724.5**	**4,823.8**
By source								
2 Personal consumption expenditures	2,629.0	2,807.5	3,012.1	2,992.2	3,058.2	3,076.3	3,128.1	3,194.6
3 Durable goods	372.2	406.5	421.9	420.5	441.4	422.0	437.8	449.8
4 Nondurable goods	911.2	943.6	997.9	995.3	1,006.6	1,012.4	1,016.2	1,036.6
5 Services	1,345.6	1,457.3	1,592.3	1,576.4	1,610.2	1,641.9	1,674.1	1,708.2
6 Gross private domestic investment	643.1	665.9	712.9	698.5	702.8	764.9	763.4	758.1
7 Fixed investment	631.8	650.4	673.7	665.8	688.3	692.9	698.1	714.4
8 Nonresidential	442.9	433.9	446.8	438.2	462.1	464.1	471.5	487.8
9 Structures	153.2	138.5	139.5	134.4	143.0	147.7	140.1	142.3
10 Producers' durable equipment	289.7	295.4	307.3	303.8	319.1	316.3	331.3	345.5
11 Residential structures	188.8	216.6	226.9	227.6	226.2	228.8	226.6	226.5
12 Change in business inventories	11.3	15.5	39.2	32.7	14.5	72.0	65.3	43.7
13 Nonfarm	14.6	17.4	40.7	31.4	17.8	72.8	49.4	33.1
14 Net exports of goods and services	−78.0	−104.4	−123.0	−122.2	−125.2	−125.7	−112.1	−90.4
15 Exports	370.9	378.4	428.0	416.8	440.4	459.7	487.8	507.1
16 Imports	448.9	482.8	551.1	539.0	565.6	585.4	599.9	597.5
17 Government purchases of goods and services	820.8	871.2	924.7	915.7	932.2	947.3	945.2	961.6
18 Federal	355.2	366.2	382.0	377.5	386.3	391.4	377.7	382.2
19 State and local	465.6	505.0	542.8	538.2	546.0	555.9	567.5	579.4
By major type of product								
20 Final sales, total	4,003.6	4,224.7	4,487.5	4,451.5	4,553.5	4,590.7	4,659.2	4,780.1
21 Goods	1,641.2	1,697.9	1,792.5	1,774.6	1,812.9	1,849.4	1,879.4	1,928.0
22 Durable	706.5	725.3	776.3	767.1	792.2	808.7	819.3	849.5
23 Nondurable	934.6	972.6	1,016.3	1,007.5	1,020.7	1,040.7	1,060.1	1,078.5
24 Services	1,968.3	2,118.3	2,295.7	2,276.2	2,314.4	2,363.9	2,405.2	2,451.5
25 Structures	405.4	424.0	438.4	433.4	440.6	449.5	439.9	444.3
26 Change in business inventories	11.3	15.5	39.2	32.7	14.5	72.0	65.3	43.7
27 Durable goods	6.4	4.2	26.6	24.3	2.9	50.5	26.6	17.8
28 Nondurable goods	4.9	11.3	12.6	8.4	11.6	21.6	38.6	25.9
29 MEMO								
Total GNP in 1982 dollars	**3,618.7**	**3,721.7**	**3,847.0**	**3,823.0**	**3,865.3**	**3,923.0**	**3,956.1**	**3,985.2**
NATIONAL INCOME								
30 **Total**	**3,234.0**	**3,437.1**	**3,678.7**	**3,631.8**	**3,708.0**	**3,802.0**	**3,850.8**	**3,928.8**
31 Compensation of employees	2,367.5	2,507.1	2,683.4	2,652.0	2,702.8	2,769.9	2,816.4	2,874.0
32 Wages and salaries	1,975.2	2,094.0	2,248.4	2,220.6	2,265.3	2,324.8	2,358.7	2,410.0
33 Government and government enterprises	372.0	393.7	420.1	416.9	423.2	429.2	437.1	442.9
34 Other	1,603.4	1,700.3	1,828.3	1,803.7	1,842.1	1,895.6	1,921.6	1,967.1
35 Supplement to wages and salaries	392.4	413.1	435.0	431.3	437.5	445.1	457.7	464.0
36 Employer contributions for social insurance	204.8	217.0	227.1	225.0	228.2	232.7	243.1	247.5
37 Other labor income	187.6	196.1	207.9	206.4	209.3	212.4	214.6	216.5
38 Proprietors' income[1]	255.9	286.7	312.9	308.9	306.8	326.0	323.9	328.8
39 Business and professional[1]	225.6	250.3	270.0	265.9	271.5	279.0	279.2	285.3
40 Farm[1]	30.2	36.4	43.0	43.0	35.2	47.0	44.7	43.4
41 Rental income of persons[2]	9.2	12.4	18.4	17.8	18.1	20.5	20.5	19.1
42 Corporate profits[1]	282.3	298.9	310.4	305.2	322.0	316.1	316.2	326.5
43 Profits before tax[3]	224.3	236.4	276.7	273.7	289.4	281.9	286.2	305.9
44 Inventory valuation adjustment	−1.7	8.3	−18.0	−20.0	−19.5	−18.2	−19.4	−27.4
45 Capital consumption adjustment	59.7	54.2	51.7	51.5	52.1	52.4	49.4	48.0
46 Net interest	319.0	331.9	353.6	348.1	358.3	369.5	373.9	380.6

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. *Survey of Current Business* (Department of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1985	1986	1987	1987			1988	
				Q2	Q3	Q4	Q1	Q2[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,325.3**	**3,531.1**	**3,780.0**	**3,736.1**	**3,801.0**	**3,906.8**	**3,951.4**	**4,022.4**
2 Wage and salary disbursements	1,975.4	2,094.0	2,248.4	2,220.6	2,265.1	2,325.1	2,358.7	2,410.0
3 Commodity-producing industries	608.9	625.5	649.8	642.8	652.8	665.5	676.0	689.1
4 Manufacturing	460.9	473.1	490.3	484.6	492.6	501.3	509.6	517.4
5 Distributive industries	473.2	498.9	531.7	526.1	536.8	547.3	558.2	572.1
6 Service industries	521.3	575.9	646.8	634.8	652.4	682.8	687.4	705.9
7 Government and government enterprises	372.0	393.7	420.1	416.9	423.0	429.5	437.1	442.9
8 Other labor income	187.6	196.1	207.9	206.4	209.3	212.4	214.6	216.5
9 Proprietors' income[1]	255.9	286.7	312.9	308.9	306.8	326.0	323.9	328.8
10 Business and professional[1]	225.6	250.3	270.0	265.9	271.5	279.0	279.2	285.3
11 Farm[1]	30.2	36.4	43.0	43.0	35.2	47.0	44.7	43.4
12 Rental income of persons[2]	9.2	12.4	18.4	17.8	18.1	20.5	20.5	19.1
13 Dividends	78.7	82.8	88.6	87.3	89.9	91.9	93.5	95.0
14 Personal interest income	478.0	499.1	527.0	517.9	533.0	550.0	554.2	563.7
15 Transfer payments	489.8	521.1	548.8	547.8	551.7	556.8	576.3	582.8
16 Old-age survivors, disability, and health insurance benefits	253.4	269.3	282.9	282.8	284.5	286.5	298.1	300.4
17 LESS: Personal contributions for social insurance	149.3	161.1	172.0	170.5	172.7	175.9	190.2	193.5
18 EQUALS: Personal income	3,325.3	3,531.1	3,780.0	3,736.1	3,801.0	3,906.8	3,951.4	4,022.4
19 LESS: Personal tax and nontax payments	486.6	511.4	570.3	582.0	576.2	591.0	575.8	601.0
20 EQUALS: Disposable personal income	2,838.7	3,019.6	3,209.7	3,154.1	3,224.9	3,315.8	3,375.6	3,421.5
21 LESS: Personal outlays	2,713.3	2,898.0	3,105.5	3,084.7	3,152.3	3,171.8	3,225.7	3,293.6
22 EQUALS: Personal saving	125.4	121.7	104.2	69.5	72.6	144.0	149.9	127.8
MEMO								
Per capita (1982 dollars)								
23 Gross national product	15,120.6	15,401.2	15,770.0	15,700.2	15,834.9	16,031.8	16,127.6	16,213.1
24 Personal consumption expenditures	9,839.4	10,160.1	10,334.3	10,335.1	10,426.8	10,346.1	10,435.4	10,492.2
25 Disposable personal income	10,625.0	10,929.0	11,012.0	10,889.0	10,989.0	11,145.0	11,260.0	11,237.0
26 Saving rate (percent)	4.4	4.0	3.2	2.2	2.3	4.3	4.4	3.7
GROSS SAVING								
27 **Gross saving**	**533.5**	**537.2**	**560.4**	**542.4**	**556.8**	**603.4**	**627.0**	**634.1**
28 Gross private saving	665.3	681.6	665.3	625.0	642.2	714.1	726.3	711.2
29 Personal saving	125.4	121.7	104.2	69.5	72.6	144.0	149.9	127.8
30 Undistributed corporate profits[1]	102.6	104.1	81.1	78.5	85.0	80.5	78.1	80.1
31 Corporate inventory valuation adjustment	-1.7	8.3	-18.0	-20.0	-19.5	-18.2	-19.4	-27.4
Capital consumption allowances								
32 Corporate	268.6	282.4	297.5	295.4	299.7	303.7	309.8	313.3
33 Noncorporate	168.7	173.5	182.5	181.6	184.9	185.8	188.5	189.9
34 Government surplus, or deficit (−), national income and product accounts	-131.8	-144.4	-104.9	-82.6	-85.5	-110.7	-99.2	-77.1
35 Federal	-196.9	-205.6	-157.8	-144.0	-138.3	-160.4	-155.1	-133.3
36 State and local	65.1	61.2	52.9	61.4	52.9	49.7	55.8	56.2
37 **Gross investment**	**528.7**	**523.6**	**552.3**	**539.9**	**541.7**	**597.0**	**612.0**	**629.0**
38 Gross private domestic	643.1	665.9	712.9	698.5	702.8	764.9	763.4	758.1
39 Net foreign	-114.4	-142.4	-160.6	-158.6	-161.1	-167.8	-151.3	-129.1
40 **Statistical discrepancy**	**-4.8**	**-13.6**	**-8.1**	**-2.5**	**-15.1**	**-6.4**	**-15.0**	**-5.1**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. *Survey of Current Business* (Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1985	1986	1987	1987			1988	
				Q2	Q3	Q4	Q1	Q2[p]
1 Balance on current account	−115,102	−138,827	−153,964	−40,852	−41,967	−33,523	−36,938	−33,336
2 Not seasonally adjusted	....	....	....	−41,799	−47,330	−31,803	−32,179	−34,228
3 *Merchandise trade balance*[2]	−122,148	−144,547	−160,280	−39,552	−39,665	−41,192	−35,184	−29,937
4 Merchandise exports	215,935	223,969	249,570	59,864	64,902	68,013	75,300	79,665
5 Merchandise imports	−338,083	−368,516	−409,850	−99,416	−104,567	−109,205	−110,484	−109,602
6 Military transactions, net	−3,431	−4,372	−2,369	−179	−851	−1,261	−1,033	−865
7 Investment income, net[3]	25,936	23,143	20,374	1,692	1,067	12,539	1,159	−1,747
8 Other service transactions, net	−449	2,257	1,755	13	87	479	1,241	2,120
9 Remittances, pensions, and other transfers	−3,786	−3,571	−3,434	−884	−855	−828	−882	−787
10 U.S. government grants (excluding military)	−11,223	−11,738	−10,011	−2,241	−2,125	−3,545	−2,239	−2,120
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−2,829	−2,000	1,162	−170	252	1,012	−814	−828
12 Change in U.S. official reserve assets (increase, −)	−3,858	312	9,149	3,419	32	3,741	1,503	39
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−897	−246	−509	−171	−210	−205	155	180
15 Reserve position in International Monetary Fund	908	1,500	2,070	335	407	722	446	69
16 Foreign currencies	−3,869	−942	7,588	3,255	−165	3,225	901	−210
17 Change in U.S. private assets abroad (increase, −)[3]	−25,949	−96,303	−86,298	−26,127	−25,576	−43,645	5,903	−12,497
18 Bank-reported claims	−1,323	−59,975	−40,531	−22,422	−16,519	−23,460	17,108	−13,999
19 Nonbank-reported claims	923	−4,220	3,145	2,603	−215	1,248	−315	....
20 U.S. purchase of foreign securities, net	−7,481	−4,297	−4,456	−88	−972	−1,757	−4,467	1,610
21 U.S. direct investments abroad, net[3]	−18,068	−27,811	−44,456	−6,220	−7,870	−19,676	−6,423	−108
22 Change in foreign official assets in the United States (increase, +)	−1,196	35,507	44,968	10,332	611	20,047	24,670	5,832
23 U.S. Treasury securities	−838	34,364	43,361	11,083	842	19,243	27,701	5,793
24 Other U.S. government obligations	−301	−1,214	1,570	256	714	662	−121	192
25 Other U.S. government liabilities[4]	767	2,054	−2,824	−1,309	−287	108	−123	−570
26 Other U.S. liabilities reported by U.S. banks	645	1,187	3,901	615	−34	−223	−1,954	834
27 Other foreign official assets[5]	−1,469	−884	−1,040	−313	−624	257	−833	−417
28 Change in foreign private assets in the United States (increase, +)[3]	131,096	185,746	166,521	40,327	71,047	36,025	1,395	56,507
29 U.S. bank-reported liabilities	41,045	79,783	87,778	17,961	46,153	29,764	−17,233	28,839
30 U.S. nonbank-reported liabilities	−366	−2,906	2,150	1,570	−116	−1,000	2,015	....
31 Foreign private purchases of U.S. Treasury securities, net	20,433	3,809	−7,596	−2,431	−2,835	496	6,887	4,473
32 Foreign purchases of other U.S. securities, net	50,962	70,969	42,213	15,998	12,819	−4,977	2,379	9,823
33 Foreign direct investments in the United States, net[3]	19,022	34,091	41,976	7,229	15,026	11,742	7,347	13,372
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	17,839	15,566	18,461	13,071	−4,399	16,342	4,282	−15,717
36 Owing to seasonal adjustments	....	....	....	−2,615	−4,658	3,138	3,747	−3,456
37 Statistical discrepancy in recorded data before seasonal adjustment	17,839	15,566	18,461	15,686	259	13,204	535	−12,261
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−3,858	312	9,149	3,419	32	3,741	1,503	39
39 Foreign official assets in the United States (increase, +) excluding line 25	−1,963	33,453	47,792	11,641	898	19,939	24,793	6,402
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	−6,709	−9,327	−9,956	−2,681	−1,723	−2,750	−1,375	−1,782
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	46	101	58	26	13	12	45	10

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data are not seasonally adjusted.

Item	1985	1986	1987	1988						
				Jan.	Feb.	Mar.	Apr.	May	June[r]	July
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	218,815	227,159	254,122	22,990	24,139	29,106	26,335	28,143	26,839	25,051
GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses										
2 C.I.F. value	352,463	382,295	424,442	34,523	37,133	38,633	36,528	37,657	40,158	37,087
3 Customs value	345,276	365,438	406,241	32,995	35,569	37,030	35,027	36,147	38,590	35,583
Trade balance										
4 **C.I.F. value**	**−133,648**	**−155,137**	**−170,320**	**−11,533**	**−12,994**	**−9,528**	**−10,193**	**−9,514**	**−13,319**	**−12,036**
5 **Customs value**	**−132,129**	**−138,279**	**−152,119**	**−10,005**	**−11,430**	**−7,924**	**−8,692**	**−8,004**	**−11,751**	**−10,531**

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustment is the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above. As of Jan. 1, 1987 census data are released 45 days after the end of the month; the previous month is revised to reflect late documents. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1985	1986	1987	1988						
				Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1 **Total**	**43,186**	**48,511**	**45,798**	**43,064**	**43,186**	**42,730**	**41,949**	**41,028**	**43,876**	**47,778**
2 Gold stock, including Exchange Stabilization Fund[1]	11,090	11,064	11,078	11,063	11,063	11,063	11,063	11,063	11,063	11,061
3 Special drawing rights[2,3]	7,293	8,395	10,283	9,761	9,899	9,589	9,543	9,180	8,984	9,058
4 Reserve position in International Monetary Fund[2]	11,947	11,730	11,349	10,445	10,645	10,803	10,431	9,992	9,773	9,642
5 Foreign currencies[4]	12,856	17,322	13,088	11,795	11,579	11,275	10,912	10,793	14,056	18,017

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdiings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Assets	1985	1986	1987	1988						
				Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1 Deposits	480	287	244	343	534	215	297	381	269	230
Assets held in custody										
2 U.S. Treasury securities[2]	121,004	155,835	195,126	215,308	222,407	224,725	226,341	223,127	223,296	221,715
3 Earmarked gold[3]	14,245	14,048	13,919	13,824	13,773	13,719	13,654	13,662	13,666	13,658

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

	Asset account	1985	1986	1987	1988						
					Jan.	Feb.	Mar.	Apr.	May	June	July^p
		All foreign countries									
1	**Total, all currencies**	**458,012**	**456,628**	**518,604**	**503,254**	**495,003**	**502,398**	**488,939**	**492,844**	**487,677**	**488,407**
2	Claims on United States	119,706	114,563	138,034	131,376	131,032r	135,504r	139,176r	141,789	140,932	147,662
3	Parent bank	87,201	83,492	105,845	95,482	94,348	99,109	102,957	104,299	104,405	109,929
4	Other banks in United States	13,057	13,685	16,416	14,910	15,028r	14,663r	13,332r	14,624r	14,424	15,954
5	Nonbanks	19,448	17,386	15,773	20,984	21,656	21,732r	22,887r	22,866r	22,103	21,779
6	Claims on foreigners	315,676	312,955	342,506	334,074	326,633r	328,163r	314,348r	315,303	311,321	305,042
7	Other branches of parent bank	91,399	96,281	122,155	115,275	111,671	108,972	103,090	102,931	106,722	103,638
8	Banks	102,960	105,237	108,856	108,161	105,584r	106,771r	101,236r	103,429	100,686	99,683
9	Public borrowers	23,478	23,706	21,828	21,329	21,331	21,748	20,827	20,991	20,438	19,427
10	Nonbank foreigners	97,839	87,731	89,667	89,309	88,047	90,672	89,195	87,952	83,475	82,294
11	Other assets	22,630	29,110	38,064	37,804	37,338	38,731	35,415	35,752	35,424	35,703
12	**Total payable in U.S. dollars**	**336,520**	**317,487**	**350,106**	**335,313**	**330,726**	**333,874**	**327,736**	**334,112**	**335,062**	**336,378**
13	Claims on United States	116,638	110,620	132,023	124,893	124,806r	128,935r	133,289r	136,077	135,348	141,415
14	Parent bank	85,971	82,082	103,251	92,466	91,271	95,844	100,320	101,578	101,422	106,792
15	Other banks in United States	12,454	12,830	14,657	13,439	13,906r	13,346r	12,318r	13,599r	13,661	14,434
16	Nonbanks	18,213	15,708	14,115	18,988	19,629	19,745r	20,651r	20,900r	20,265	20,189
17	Claims on foreigners	210,129	195,063	202,427	196,154	190,902r	190,593r	179,722r	182,981	183,640	179,076
18	Other branches of parent bank	72,727	72,197	88,284	84,468	83,063	81,692	75,654	76,136	79,774	78,063
19	Banks	71,868	66,421	63,706	61,359	58,161r	58,109r	54,588r	57,102	55,234	54,189
20	Public borrowers	17,260	16,708	14,730	14,720	14,645	14,853	14,407	14,342	13,923	13,321
21	Nonbank foreigners	48,274	39,737	35,707	35,607	35,033	35,939	35,073	35,401	34,709	33,503
22	Other assets	9,753	11,804	15,656	14,266	15,018	14,346	14,725	15,054	16,074	15,887
		United Kingdom									
23	**Total, all currencies**	**148,599**	**140,917**	**158,695**	**160,244**	**157,634**	**155,657**	**152,592**	**156,184**	**151,835**	**151,141**
24	Claims on United States	33,157	24,599	32,518	32,464	32,869	29,581	31,618	32,832	33,852	35,708
25	Parent bank	26,970	19,085	27,350	26,923	27,484	24,580	26,155	27,506	28,535	30,615
26	Other banks in United States	1,106	1,612	1,259	1,558	1,527	1,191	1,013	1,360	1,322	1,064
27	Nonbanks	5,081	3,902	3,909	3,983	3,858	3,810	4,450	3,966	3,995	4,029
28	Claims on foreigners	110,217	109,508	115,700	118,407	115,489	116,975	112,261	114,452	107,856	105,080
29	Other branches of parent bank	31,576	33,422	39,903	39,702	38,077	34,278	33,019	33,849	32,446	30,228
30	Banks	39,250	39,468	36,735	39,697	38,654	40,247	38,790	39,883	37,108	37,829
31	Public borrowers	5,644	4,990	4,752	4,639	4,613	5,312	4,914	4,987	4,742	4,641
32	Nonbank foreigners	33,747	31,628	34,310	34,369	34,145	37,138	35,538	35,733	33,560	32,382
33	Other assets	5,225	6,810	10,477	9,373	9,276	9,101	8,713	8,900	10,127	10,353
34	**Total payable in U.S. dollars**	**108,626**	**95,028**	**100,574**	**102,148**	**101,642**	**95,972**	**93,214**	**97,188**	**95,326**	**94,492**
35	Claims on United States	32,092	23,193	30,439	30,156	30,971	27,388	29,555	30,736	31,855	33,795
36	Parent bank	26,568	18,526	26,304	25,854	26,565	23,285	25,137	26,608	27,672	29,706
37	Other banks in United States	1,005	1,475	1,044	1,132	1,273	1,025	781	1,068	1,069	870
38	Nonbanks	4,519	3,192	3,091	3,170	3,133	3,078	3,637	3,060	3,114	3,219
39	Claims on foreigners	73,475	68,138	64,560	67,458	66,313	64,247	59,434	62,018	57,969	55,832
40	Other branches of parent bank	26,011	26,361	28,635	29,336	29,813	26,812	24,867	25,448	23,843	22,549
41	Banks	26,139	23,251	19,188	20,814	19,516	19,656	18,065	19,555	17,477	18,025
42	Public borrowers	3,999	3,677	3,313	3,313	3,347	3,864	3,412	3,252	3,188	3,133
43	Nonbank foreigners	17,326	14,849	13,424	13,995	13,637	13,915	13,090	13,763	13,461	12,125
44	Other assets	3,059	3,697	5,575	4,534	4,358	4,337	4,225	4,434	5,502	4,865
		Bahamas and Caymans									
45	**Total, all currencies**	**142,055**	**142,592**	**160,321**	**148,718**	**143,630**	**153,254**	**152,930**	**156,353**	**159,718**	**160,516**
46	Claims on United States	74,864	78,048	85,318	79,893	78,035r	85,837r	88,283r	90,896	88,116	92,308
47	Parent bank	50,553	54,575	60,048	51,249	48,402	56,330	59,240	60,419	58,579	61,397
48	Other banks in United States	11,204	11,156	14,277	12,472	12,682r	12,476r	11,470r	12,489r	12,236	13,863
49	Nonbanks	13,107	12,317	10,993	16,172	16,951	17,031r	17,573r	17,988r	17,301	17,048
50	Claims on foreigners	63,882	60,005	70,162	63,469	60,091r	61,962r	58,818r	59,374	65,855	62,508
51	Other branches of parent bank	19,042	17,296	21,277	19,802	18,486	19,368	17,790	18,463	24,745	22,797
52	Banks	28,192	27,476	33,751	29,340	27,667r	28,647r	26,700r	27,019	27,650	26,120
53	Public borrowers	6,458	7,051	7,428	7,257	7,063	6,891	6,849	6,955	6,835	6,457
54	Nonbank foreigners	10,190	8,182	7,706	7,070	6,875	7,056	7,479	6,937	6,625	7,134
55	Other assets	3,309	4,539	4,841	5,356	5,504	5,455	5,829	6,083	5,747	5,700
56	**Total payable in U.S. dollars**	**136,794**	**136,813**	**151,434**	**141,135**	**135,916**	**145,050**	**145,398**	**148,545**	**152,219**	**152,685**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14—Continued

Liability account	1985	1986	1987	1988						
				Jan.	Feb.	Mar.	Apr.	May	June	July[p]
	All foreign countries									
57 **Total, all currencies**	**458,012**	**456,628**	**518,604**	**503,254**	**495,003**	**502,398**	**488,939**	**492,844**	**487,677**	**488,407**
58 Negotiable CDs	34,607	31,629	30,929	29,277	31,158	31,854	31,585	32,175	29,485	30,159
59 To United States	156,281	152,465	161,390	150,676	149,402	157,063	155,381	162,002	156,235	158,966
60 Parent bank	84,657	83,394	87,606	78,590	85,142	91,628	85,585[r]	86,944	87,315	84,216
61 Other banks in United States	16,894	15,646	20,559	15,801	14,237	14,806	16,246	15,389	14,625	15,333
62 Nonbanks	54,730	53,425	53,225	56,285	50,023	50,629	53,550[r]	59,669	54,295	59,417
63 To foreigners	245,939	253,775	304,790	302,042	293,360	290,064	281,162	277,106	280,998	277,819
64 Other branches of parent bank	89,529	95,146	124,601	116,434	111,949	109,071	105,148	104,667	110,418	107,030
65 Banks	76,814	77,809	87,261	89,552	88,400	88,257	85,097	82,499	82,470	83,172
66 Official institutions	19,520	17,835	19,564	21,130	20,373	18,608	18,006	17,700	17,159	16,554
67 Nonbank foreigners	60,076	62,985	73,364	74,926	72,638	74,128	72,911	72,240	70,951	71,063
68 Other liabilities	21,185	18,759	21,495	21,259	21,083	23,417	20,811	21,561	20,959	21,463
69 **Total payable in U.S. dollars**	**353,712**	**336,406**	**361,438**	**344,805**	**341,536**	**344,395**	**337,122**	**341,729**	**341,411**	**341,539**
70 Negotiable CDs	31,063	28,466	26,768	24,785	26,386	26,869	26,596	27,233	25,015	24,870
71 To United States	150,905	144,483	148,442	139,185	138,737	144,983	144,783	149,576	144,398	147,555
72 Parent bank	81,631	79,305	81,783	73,064	79,363	84,801	79,903[r]	80,378	80,811	77,523
73 Other banks in United States	16,264	14,609	19,155	14,433	12,918	13,501	15,035	13,999	13,186	14,011
74 Nonbanks	53,010	50,569	47,504	51,688	46,456	46,681	49,845[r]	55,199	50,401	56,021
75 To foreigners	163,583	156,806	177,711	172,285	167,623	163,275	156,848	155,519	162,122	158,897
76 Other branches of parent bank	71,078	71,181	90,469	84,298	82,996	81,073	76,708	76,920	83,482	81,090
77 Banks	37,365	33,850	35,065	33,315	32,278	30,688	29,924	28,712	28,990	28,495
78 Official institutions	14,359	12,371	12,409	12,736	12,071	10,489	10,539	10,028	9,571	9,308
79 Nonbank foreigners	40,781	39,404	39,768	41,936	40,278	41,025	39,677	39,859	40,079	40,004
80 Other liabilities	8,161	6,651	8,517	8,550	8,790	9,268	8,895	9,401	9,876	10,217
	United Kingdom									
81 **Total, all currencies**	**148,599**	**140,917**	**158,695**	**160,244**	**157,634**	**155,657**	**152,592**	**156,184**	**151,835**	**151,141**
82 Negotiable CDs	31,260	27,781	26,988	25,184	26,786	27,279	27,090	27,659	25,390	25,750
83 To United States	29,422	24,657	23,470	25,209	26,382	22,725	23,868	27,145	25,120	26,801
84 Parent bank	19,330	14,469	13,223	14,177	15,527	14,506	14,904	15,518	15,996	16,844
85 Other banks in United States	2,974	2,649	1,740	1,596	1,615	1,768	1,508	2,408	1,791	2,051
86 Nonbanks	7,118	7,539	8,507	9,436	9,240	6,451	7,456	9,219	7,333	7,906
87 To foreigners	78,525	79,498	98,689	100,001	94,235	95,049	92,219	91,995	91,691	88,547
88 Other branches of parent bank	23,389	25,036	33,078	33,344	30,350	30,211	27,383	28,743	28,967	26,948
89 Banks	28,581	30,877	34,290	34,820	33,520	33,316	32,970	31,995	33,125	32,837
90 Official institutions	9,676	6,836	11,015	11,571	11,048	9,624	10,181	9,672	8,893	9,006
91 Nonbank foreigners	16,879	16,749	20,306	20,266	19,317	21,898	21,685	21,585	20,706	19,756
92 Other liabilities	9,392	8,981	9,548	9,850	10,231	10,604	9,415	9,385	9,634	10,043
93 **Total payable in U.S. dollars**	**112,697**	**99,707**	**102,550**	**105,138**	**105,162**	**98,982**	**96,532**	**99,378**	**97,555**	**96,908**
94 Negotiable CDs	29,337	26,169	24,926	22,875	24,281	24,716	24,392	24,994	22,960	22,846
95 To United States	27,756	22,075	17,752	20,799	23,019	19,116	20,310	22,405	20,889	23,105
96 Parent bank	18,956	14,021	12,026	13,307	14,626	13,622	13,947	14,134	14,712	15,729
97 Other banks in United States	2,826	2,325	1,512	1,398	1,401	1,556	1,306	2,184	1,512	1,817
98 Nonbanks	5,974	5,729	4,214	6,094	6,992	3,938	5,057	6,087	4,665	5,559
99 To foreigners	51,980	48,138	55,919	57,620	53,444	50,590	47,589	47,969	48,777	46,083
100 Other branches of parent bank	18,493	17,951	22,334	22,870	21,753	21,292	18,060	18,902	20,303	18,539
101 Banks	14,344	15,203	15,580	16,119	14,401	13,106	12,889	12,860	12,957	12,240
102 Official institutions	7,661	4,934	7,530	7,993	7,045	5,181	5,918	5,470	4,700	5,036
103 Nonbank foreigners	11,482	10,050	10,475	10,638	10,245	11,011	10,722	10,737	10,817	10,268
104 Other liabilities	3,624	3,325	3,953	3,844	4,418	4,560	4,241	4,010	4,929	4,874
	Bahamas and Caymans									
105 **Total, all currencies**	**142,055**	**142,592**	**160,321**	**148,718**	**143,630**	**153,254**	**152,930**	**156,353**	**159,718**	**160,516**
106 Negotiable CDs	610	847	885	851	940	1,069	1,038	1,096	941	940
107 To United States	104,556	106,081	113,950	105,147	99,821	110,451	109,199	112,605	109,424	112,540
108 Parent bank	45,554	49,481	53,239	46,594	48,976	55,981	50,622[r]	51,792	52,280	49,916
109 Other banks in United States	12,778	11,715	17,224	13,017	11,455	11,829	13,621	11,684	11,451	12,092
110 Nonbanks	46,224	44,885	43,487	45,536	39,390	42,641	44,956[r]	49,129	45,693	50,532
111 To foreigners	35,053	34,400	43,815	40,822	41,234	40,038	40,953	40,369	47,361	44,993
112 Other branches of parent bank	14,075	12,631	19,185	18,629	18,604	17,260	19,420	18,909	24,755	22,288
113 Banks	10,669	8,617	10,769	9,344	9,825	9,404	9,162	9,080	9,779	10,155
114 Official institutions	1,776	2,719	1,504	1,377	1,179	1,873	1,164	1,053	1,850	1,015
115 Nonbank foreigners	8,533	10,433	12,357	11,472	11,626	11,501	11,207	11,327	10,977	11,535
116 Other liabilities	1,836	1,264	1,671	1,898	1,635	1,696	1,740	2,283	1,992	2,043
117 **Total payable in U.S. dollars**	**138,322**	**138,774**	**152,927**	**141,750**	**136,636**	**145,366**	**146,134**	**148,923**	**151,684**	**152,235**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1986	1987	1988						
			Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total**[1]	**211,834**	**259,517**	**266,925**	**276,233**	**286,289**[r]	**286,507**[r]	**294,706**[r]	**290,672**	**290,851**
By type									
2 Liabilities reported by banks in the United States[2]	27,920	31,833	32,528	32,121	29,879	29,683	31,460	30,612	31,700
3 U.S. Treasury bills and certificates[3]	75,650	88,829	90,635	93,407	95,624	94,974	96,604	95,300	97,015
U.S. Treasury bonds and notes									
4 Marketable	91,368	122,432	127,550	134,719	142,865	145,940	151,002[r]	149,344	146,982
5 Nonmarketable[4]	1,300	300	300	300	792	795	499	502	506
6 U.S. securities other than U.S. Treasury securities[5]	15,596	16,123	15,912	15,686	15,129[r]	15,115[r]	15,141[r]	14,914	14,648
By area									
7 Western Europe[1]	88,629	124,620	127,753	127,614	129,336[r]	129,751[r]	131,417[r]	126,640	125,106
8 Canada	2,004	4,961	6,182	6,839	7,954	8,314	9,372	10,773	10,725
9 Latin America and Caribbean	8,417	8,328	7,950	8,296	8,734	8,520	9,145	9,403	9,554
10 Asia	105,868	116,060	119,139	127,304	131,423	132,016	135,086	134,251	135,617
11 Africa	1,503	1,402	1,458	1,495	1,512	1,417	1,418	1,266	1,179
12 Other countries[6]	5,412	4,147	4,442	4,682	4,839	5,993	7,773	7,837	8,162

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1984	1985	1986	1987		1988	
				Sept.	Dec.	Mar.	June
1 Banks' own liabilities	8,586	15,368	29,702	46,800	55,688	55,871	55,794
2 Banks' own claims	11,984	16,294	26,180	41,239	50,486	51,344	50,034
3 Deposits	4,998	8,437	14,129	14,535	18,109	17,463	16,640
4 Other claims	6,986	7,857	12,052	26,704	32,377	33,881	33,394
5 Claims of banks' domestic customers[2]	569	580	2,507	1,067	551	810	1,004

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
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1985	1986	1987	1988						
				Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **All foreigners**	**435,726**	**540,996**	**618,903**	**601,332**	**605,301**	**607,023**	**611,259**	**629,022[r]**	**637,191**	**645,900**
2 Banks' own liabilities	341,070	406,485	469,829	446,391	446,235	444,887	449,323	465,548[r]	476,118	481,602
3 Demand deposits	21,107	23,789	22,718	20,740	21,129	21,889	20,777	22,548[r]	23,328	21,971
4 Time deposits[1]	117,278	130,891	148,401	138,964	140,178	137,890	134,335	138,253[r]	141,360	142,849
5 Other[2]	29,305	42,705	51,120	52,694	52,661	46,997	45,642	48,055[r]	47,829	50,032
6 Own foreign offices[3]	173,381	209,100	247,590	233,993	232,268	238,110	248,570	256,692	263,601	266,751
7 Banks' custody liabilities[4]	94,656	134,511	149,074	154,941	159,066	162,136	161,935	163,474[r]	161,073	164,297
8 U.S. Treasury bills and certificates[5]	69,133	90,398	101,743	103,861	107,087	109,233	107,881	108,803	108,614	109,951
9 Other negotiable and readily transferable instruments[6]	17,964	15,417	16,791	16,727	15,650	16,121	16,017	16,595	16,420	16,106
10 Other	7,558	28,696	30,540	34,353	36,328	36,783	38,038	38,075[r]	36,039	38,239
11 **Nonmonetary international and regional organizations[7]**	**5,821**	**5,807**	**4,387**	**5,875**	**8,640**	**6,033**	**4,575**	**6,889**	**7,879**	**6,988**
12 Banks' own liabilities	2,621	3,958	2,626	4,052	6,629	4,031	2,412	4,898	5,142	4,809
13 Demand deposits	85	199	249	70	74	134	67	84[r]	84	92
14 Time deposits[1]	2,067	2,065	1,538	1,583	2,481	2,061	335	1,981	1,873	1,874
15 Other[2]	469	1,693	839	2,398	4,074	1,836	2,010	2,833[r]	3,185	2,843
16 Banks' custody liabilities[4]	3,200	1,849	1,761	1,823	2,011	2,002	2,163	1,991	2,737	2,179
17 U.S. Treasury bills and certificates	1,736	259	265	613	415	635	587	132	745	286
18 Other negotiable and readily transferable instruments[6]	1,464	1,590	1,497	1,210	1,521	1,351	1,564	1,852	1,989	1,861
19 Other	0	0	0	0	75	16	11	7	3	32
20 **Official institutions[8]**	**79,985**	**103,569**	**120,662**	**123,163**	**125,527**	**125,503**	**124,657**	**128,065**	**125,912**	**128,715**
21 Banks' own liabilities	20,835	25,427	28,698	29,901	29,234	26,928	26,623	28,451	27,878	28,116
22 Demand deposits	2,077	2,267	1,949	1,605	1,861	2,021	1,660	2,249[r]	1,833	1,696
23 Time deposits[1]	10,949	10,497	12,843	11,913	11,654	11,749	11,753	12,860	11,864	11,596
24 Other[2]	7,809	12,663	13,906	16,383	15,719	13,158	13,209	13,342[r]	14,180	14,824
25 Banks' custody liabilities[4]	59,150	78,142	91,965	93,262	96,294	98,575	98,033	99,613	98,034	100,599
26 U.S. Treasury bills and certificates[5]	53,252	75,650	88,829	90,635	93,407	95,624	94,974	96,604	95,300	97,015
27 Other negotiable and readily transferable instruments[6]	5,824	2,347	2,990	2,442	2,592	2,750	2,939	2,775	2,528	3,368
28 Other	75	145	146	185	295	201	120	234	207	217
29 **Banks[9]**	**275,589**	**351,745**	**414,152**	**391,750**	**390,848**	**395,463**	**401,972**	**413,445[r]**	**423,258**	**427,663**
30 *Banks' own liabilities*	252,723	310,166	371,471	345,597	344,040	347,937	353,971	365,498[r]	375,092	379,057
31 Unaffiliated foreign banks	79,341	101,066	123,880	111,605	111,773	109,827	105,402	108,805[r]	111,491	112,306
32 Demand deposits	10,271	10,303	10,915	9,786	9,759	10,000	9,438	10,260	11,137	10,211
33 Time deposits[1]	49,510	64,232	79,710	71,130	71,709	70,171	68,128	69,616[r]	72,412	73,345
34 Other[2]	19,561	26,531	33,256	30,689	30,305	29,655	27,835	28,929[r]	27,943	28,750
35 Own foreign offices[3]	173,381	209,100	247,590	233,993	232,268	238,110	248,570	256,692[r]	263,601	266,751
36 Banks' custody liabilities[4]	22,866	41,579	42,682	46,152	46,808	47,526	48,000	47,948[r]	48,166	48,606
37 U.S. Treasury bills and certificates	9,832	9,984	9,134	8,979	9,526	9,597	8,889	8,872	9,138	9,346
38 Other negotiable and readily transferable instruments[6]	6,040	5,165	5,392	5,580	4,436	4,627	4,637	4,341	4,663	4,566
39 Other	6,994	26,431	28,156	31,594	32,846	33,303	34,474	34,735[r]	34,365	34,694
40 **Other foreigners**	**74,331**	**79,875**	**79,701**	**80,544**	**80,285**	**80,024**	**80,055**	**80,623[r]**	**80,143**	**82,534**
41 Banks' own liabilities	64,892	66,934	67,034	66,841	66,332	65,990	66,317	66,701[r]	68,006	69,620
42 Demand deposits	8,673	11,019	9,605	9,279	9,435	9,734	9,612	9,955[r]	10,274	9,972
43 Time deposits	54,752	54,097	54,310	54,338	54,334	53,909	54,118	53,796[r]	55,211	56,033
44 Other[2]	1,467	1,818	3,119	3,224	2,563	2,347	2,586	2,951[r]	2,521	3,615
45 Banks' custody liabilities[4]	9,439	12,941	12,666	13,703	13,953	14,034	13,739	13,922	12,136	12,913
46 U.S. Treasury bills and certificates	4,314	4,506	3,515	3,633	3,740	3,378	3,430	3,196	3,432	3,305
47 Other negotiable and readily transferable instruments[6]	4,636	6,315	6,914	7,495	7,102	7,393	6,876	7,628	7,240	6,311
48 Other	489	2,120	2,238	2,575	3,112	3,263	3,433	3,099	1,464	3,297
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	9,845	7,496	7,314	7,647	7,370	7,325	7,480	8,261	7,650	6,916

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks. Data exclude "holdings of dollars" of the International Monetary Fund.
8. Foreign central banks, foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17—Continued

	Area and country	1985	1986	1987	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June	1988 July[p]
1	**Total**	**435,726**	**540,996**	**618,903**	**601,332**	**605,301**	**607,023**	**611,259**	**629,022[r]**	**637,191**	**645,900**
2	**Foreign countries**	**429,905**	**535,189**	**614,516**	**595,457**	**596,660**	**600,990**	**606,684**	**622,133[r]**	**629,312**	**638,912**
3	Europe	164,114	180,556	234,651	225,552	226,517	213,023	218,567	227,867[r]	227,492	223,725
4	Austria	693	1,181	920	992	964	958	1,172	1,090	941	1,408
5	Belgium-Luxembourg	5,243	6,729	9,347	9,433	9,832	8,804	9,629	9,893	10,363	9,494
6	Denmark	513	482	760	551	659	930	1,034	1,164	1,364	1,474
7	Finland	496	580	377	401	369	405	504	478	426	560
8	France	15,541	22,862	29,954	28,198	28,868	28,449	27,040	28,194[r]	26,976	25,992
9	Germany	4,835	5,762	7,047	7,701	8,872	6,594	6,893	6,483	5,104	5,184
10	Greece	666	700	689	638	639	656	656	675	653	621
11	Italy	9,667	10,875	12,073	11,259	11,001	10,076	10,040	9,285	10,695	9,360
12	Netherlands	4,212	5,600	5,014	5,272	5,302	5,399	5,154	5,757	5,351	5,552
13	Norway	948	735	1,362	1,196	828	917	1,101	1,240[r]	1,078	1,329
14	Portugal	652	699	801	725	780	877	917	910	897	859
15	Spain	2,114	2,407	2,621	2,359	2,433	2,618	2,415	2,839	4,168	5,010
16	Sweden	1,422	884	1,379	1,393	1,719	1,836	1,692	2,280	1,522	1,936
17	Switzerland	29,020	30,534	33,765	31,932	32,006	31,815	30,523	31,293[r]	31,197	30,301
18	Turkey	429	454	703	674	541	616	518	628	1,476	537
19	United Kingdom	76,728	85,334	116,717	111,845	112,207	101,590	109,547	115,439	114,451	114,408
20	Yugoslavia	673	630	710	541	557	550	566	586	690	804
21	Other Western Europe[1]	9,635	3,326	9,798	9,683	8,340	9,244	8,473	9,038	9,282	8,141
22	U.S.S.R.	105	80	31	37	49	66	44	136	246	81
23	Other Eastern Europe[2]	523	702	582	721	549	623	649	460	612	676
24	Canada	17,427	26,345	30,084	28,691	25,967	27,330	27,010	27,875	30,051	29,986
25	Latin America and Caribbean	167,856	210,318	220,365	212,097	212,731	222,136	225,890	229,827[r]	232,785	241,834
26	Argentina	6,032	4,757	5,006	4,902	5,092	5,101	5,307	5,219	5,876	6,079
27	Bahamas	57,657	73,619	74,590	69,205	64,964	70,266	69,970	73,990[r]	74,034	75,782
28	Bermuda	2,765	2,922	2,335	2,187	2,021	2,214	2,402	2,927	2,077	2,439
29	Brazil	5,373	4,325	4,003	3,937	3,747	4,074	3,992	4,119	4,538	4,217
30	British West Indies	42,674	72,263	81,675	78,503	82,625	88,344	92,722	91,601[r]	93,959	100,825
31	Chile	2,049	2,054	2,210	2,122	2,361	2,314	2,251	2,184	2,378	2,325
32	Colombia	3,104	4,285	4,208	3,947	3,897	3,833	3,843	4,395	4,502	4,415
33	Cuba	11	7	12	8	9	8	13	9	10	9
34	Ecuador	1,239	1,236	1,082	1,115	1,133	1,169	1,174	1,206	1,212	1,211
35	Guatemala	1,071	1,123	1,082	1,098	1,098	1,182	1,209	1,191	1,209	1,178
36	Jamaica	122	136	160	150	148	208	209	152	156	154
37	Mexico	14,060	13,745	14,480	15,024	15,186	15,783	15,347	15,866	15,801	16,330
38	Netherlands Antilles	4,875	4,970	4,972	4,987	5,231	5,207	5,345	5,348	5,338	4,807
39	Panama	7,514	6,886	7,414	7,329	6,983	4,306	4,059	4,005	4,176	4,226
40	Peru	1,167	1,163	1,275	1,235	1,328	1,364	1,424	1,423	1,438	1,509
41	Uruguay	1,552	1,537	1,580	1,670	1,753	1,763	1,743	1,715	1,879	1,827
42	Venezuela	11,922	10,171	9,048	9,174	9,729	9,411	9,564	9,255	8,950	9,047
43	Other	4,668	5,119	5,234	5,502	5,426	5,591	5,315	5,221	5,252	5,454
44	Asia	72,280	108,831	121,401	121,245	122,973	129,265	125,649	125,650[r]	127,999	133,062
	China										
45	Mainland	1,607	1,476	1,162	1,336	1,352	1,562	1,814	1,921	1,725	1,557
46	Taiwan	7,786	18,902	21,503	22,878	23,884	24,005	23,982	23,874	23,072	24,023
47	Hong Kong	8,067	9,393	10,196	9,579	10,010	10,011	9,631	10,214[r]	9,255	9,928
48	India	712	674	582	571	879	659	675	619	942	858
49	Indonesia	1,466	1,547	1,399	1,474	1,583	1,547	1,063	1,036[r]	1,075	1,036
50	Israel	1,601	1,892	1,292	1,270	1,333	1,400	1,292	1,190	1,334	1,244
51	Japan	23,077	47,410	54,418	55,221	56,346	60,334	58,567	58,051[r]	60,815	62,628
52	Korea	1,665	1,141	1,637	1,709	1,502	1,593	1,574	1,476	1,564	1,459
53	Philippines	1,140	1,866	1,085	1,035	1,009	1,095	1,015	975	954	1,085
54	Thailand	1,358	1,119	1,345	1,433	1,354	1,189	1,181	1,448	1,099	1,650
55	Middle-East oil-exporting countries[3]	14,523	12,352	13,994	12,503	12,408	12,735	12,647	12,413[r]	12,101	14,298
56	Other	9,276	11,058	12,788	12,237	11,311	13,135	12,208	12,434[r]	14,063	13,295
57	Africa	4,883	4,021	3,945	3,758	3,756	4,034	3,878	4,055[r]	4,028	3,836
58	Egypt	1,363	706	1,151	1,142	1,119	1,099	1,218	1,196	1,186	1,039
59	Morocco	163	92	194	71	69	75	68	65	73	80
60	South Africa	388	270	202	214	194	387	195	267[r]	245	200
61	Zaire	163	74	67	89	86	81	82	63	60	63
62	Oil-exporting countries[4]	1,494	1,519	1,014	981	1,047	1,062	1,008	1,090	1,111	1,051
63	Other	1,312	1,360	1,316	1,261	1,241	1,330	1,307	1,373	1,352	1,404
64	Other countries	3,347	5,118	4,070	4,114	4,717	5,203	5,689	6,859[r]	6,957	6,467
65	Australia	2,779	4,196	3,327	3,319	3,814	4,154	4,885	5,943	6,017	5,639
66	All other	568	922	744	795	903	1,048	804	919	940	828
67	Nonmonetary international and regional organizations	5,821	5,807	4,387	5,875	8,640	6,033	4,575	6,889	7,879	6,988
68	International[5]	4,806	4,620	2,754	4,301	6,600	4,330	2,691	4,955	5,925	5,057
69	Latin American regional	894	1,033	1,272	1,181	1,505	1,305	1,528	1,727	1,769	1,651
70	Other regional[6]	121	154	362	393	536	397	356	207	185	280

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.
2. Comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Excludes "holdings of dollars" of the International Monetary Fund.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1985	1986	1987	1988						
				Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total**	**401,608**	**444,745**	**460,261**	**443,890**	**442,204**	**442,486**	**431,724**	**450,728[r]**	**458,120**	**469,274**
2 **Foreign countries**	**400,577**	**441,724**	**456,857**	**441,191**	**439,980**	**440,360**	**430,412**	**449,582[r]**	**455,574**	**466,208**
3 Europe	106,413	107,823	102,324	97,437	100,441	94,574	93,236	100,484[r]	100,980	99,411
4 Austria	598	728	793	762	800	846	893	865[r]	806	893
5 Belgium-Luxembourg	5,772	7,498	9,382	9,626	9,793	8,254	8,792	8,724[r]	7,888	8,525
6 Denmark	706	688	717	852	746	874	612	630[r]	640	742
7 Finland	823	987	1,010	876	835	729	993	1,106	954	1,325
8 France	9,124	11,356	13,475	11,680	12,268	12,226	10,791	12,144[r]	12,194	11,578
9 Germany	1,267	1,816	2,061	2,195	1,927	1,881	1,610	1,719[r]	2,835	2,132
10 Greece	991	648	461	576	711	696	513	558	590	563
11 Italy	8,848	9,043	7,467	6,508	6,164	6,453	6,211	6,606	7,064	6,607
12 Netherlands	1,258	3,296	2,619	2,902	2,879	2,780	2,865	2,766	2,656	3,022
13 Norway	706	672	934	842	746	627	650	886	589	479
14 Portugal	1,058	739	477	471	499	425	439	400	358	333
15 Spain	1,908	1,492	1,849	1,628	1,965	1,761	1,766	1,911	1,867	1,976
16 Sweden	2,219	1,964	2,269	2,106	2,274	2,229	2,347	2,480	2,087	1,938
17 Switzerland	3,171	3,352	2,689	2,569	3,086	2,237	2,452	3,093	3,274	2,506
18 Turkey	1,200	1,543	1,681	1,637	1,660	1,593	1,733	1,543	1,495	1,432
19 United Kingdom	62,566	58,335	50,839	48,753	50,493	47,430	47,133	51,679	52,080	51,885
20 Yugoslavia	1,964	1,835	1,700	1,694	1,702	1,658	1,618	1,586	1,624	1,549
21 Other Western Europe[1]	998	539	660	578	725	747	573	598	672	673
22 U.S.S.R.	130	345	389	386	380	328	377	339	506	441
23 Other Eastern Europe[2]	1,107	948	852	795	790	802	866	851[r]	801	812
24 Canada	16,482	21,006	25,284	23,457	21,930	21,155	22,044	23,801[r]	24,617	23,940
25 Latin America and Caribbean	202,674	208,825	214,807	208,046	203,500	209,103	199,557	203,942[r]	201,875	205,178
26 Argentina	11,462	12,091	11,990	12,032	11,977	12,226	12,288	12,297	12,351	12,340
27 Bahamas	58,258	59,342	64,744	60,879	57,415	58,264	54,625	59,251[r]	56,722	62,319
28 Bermuda	499	418	474	375	311	1,471	669	369[r]	763	518
29 Brazil	25,283	25,716	25,879	25,932	25,905	25,993	26,099	26,119[r]	26,265	26,097
30 British West Indies	38,881	46,284	49,944	47,882	47,340	52,529	47,486	48,882[r]	49,804	48,215
31 Chile	6,603	6,558	6,305	6,327	6,260	6,099	6,132	6,018[r]	5,881	5,771
32 Colombia	3,249	2,821	2,740	2,709	2,668	2,652	2,721	3,082	3,095	3,126
33 Cuba	0	0	1	0	0	0	1	0	0	0
34 Ecuador	2,390	2,439	2,286	2,339	2,238	2,239	2,883	2,197	2,142	2,143
35 Guatemala[3]	194	140	144	134	140	149	141	149	144	157
36 Jamaica[3]	224	198	188	202	191	201	212	177	187	214
37 Mexico	31,799	30,698	29,534	29,139	29,217	27,974	27,303	26,670	26,214	26,023
38 Netherlands Antilles	1,340	1,041	980	1,009	1,146	1,159	1,304	1,434	1,238	1,055
39 Panama	6,645	5,436	4,739	4,304	3,818	3,108	2,749	2,566[r]	2,492	2,400
40 Peru	1,947	1,661	1,323	1,316	1,336	1,277	1,283	1,297[r]	1,149	1,136
41 Uruguay	960	940	968	961	955	929	913	880	885	878
42 Venezuela	10,871	11,108	10,834	10,753	10,872	11,005	10,944	10,833	10,912	11,014
43 Other Latin America and Caribbean	2,067	1,936	1,735	1,753	1,710	1,831	1,805	1,719	1,632	1,772
44 Asia	66,212	96,126	106,472	105,025	106,870	108,148	108,480	113,844[r]	120,142	129,796
China										
45 Mainland	639	787	968	886	887	1,096	1,140	841	1,065	1,003
46 Taiwan	1,535	2,681	4,577	3,877	3,813	3,554	3,807	3,805	3,957	3,562
47 Hong Kong	6,797	8,307	8,216	7,593	7,948	8,473	6,328	8,356[r]	9,632	7,679
48 India	450	321	510	495	548	565	542	507	499	1,171
49 Indonesia	698	723	580	566	632	645	643	631	695	688
50 Israel	1,991	1,634	1,363	1,282	1,211	1,238	1,284	1,259	1,213	1,206
51 Japan	31,249	59,674	69,113	71,229	73,215	72,797	75,434	78,700[r]	82,381	92,456
52 Korea	9,226	7,182	5,094	4,943	4,777	5,011	4,769	4,871[r]	4,985	4,889
53 Philippines	2,224	2,217	2,069	1,961	1,966	2,074	1,959	2,012	2,055	2,040
54 Thailand	845	578	493	520	521	541	516	596	576	619
55 Middle East oil-exporting countries[4]	4,298	4,122	4,858	3,567	3,454	3,538	3,922	3,541	4,573	6,579
56 Other Asia	6,260	7,901	8,633	8,108	7,897	8,616	8,136	8,725[r]	8,510	7,902
57 Africa	5,407	4,650	4,742	4,807	4,865	4,881	4,879	5,092	5,423	5,473
58 Egypt	721	567	521	513	469	483	484	503	605	539
59 Morocco	575	598	542	491	490	487	495	483	484	481
60 South Africa	1,942	1,550	1,507	1,520	1,461	1,458	1,439	1,496	1,693	1,726
61 Zaire	20	28	15	36	82	46	47	42	41	38
62 Oil-exporting countries[5]	630	694	1,003	1,019	1,086	1,142	1,137	1,244	1,275	1,319
63 Other	1,520	1,213	1,153	1,229	1,276	1,265	1,276	1,324	1,325	1,369
64 Other countries	3,390	3,294	3,228	2,419	2,375	2,499	2,216	2,419[r]	2,537	2,410
65 Australia	2,413	1,949	2,189	1,428	1,430	1,481	1,360	1,413[r]	1,653	1,554
66 All other	978	1,345	1,039	991	945	1,019	856	1,006[r]	884	856
67 Nonmonetary international and regional organizations[6]	1,030	3,021	3,404	2,700	2,224	2,126	1,312	1,147	2,545	3,066

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1985	1986	1987	1988						
				Jan.	Feb.	Mar.	Apr.	May[r]	June	July[p]
1 **Total**	**430,489**	**478,650**	**497,977**	....	....	**479,638**	....	....	**495,246**	....
2 Banks' own claims on foreigners	401,608	444,745	460,261	443,890	442,204	442,486	431,724	450,728	458,120	469,274
3 Foreign public borrowers	60,507	64,095	64,660	63,766	62,687	61,822	61,065	61,354	62,804	62,990
4 Own foreign offices[2]	174,261	211,533	224,934	217,579	218,758	220,882	210,862	224,482	229,156	236,430
5 Unaffiliated foreign banks	116,654	122,946	127,713	120,467	118,918	118,282	117,293	122,534	123,531	128,951
6 Deposits	48,372	57,484	60,618	55,437	55,801	55,927	55,806	57,569	58,793	59,751
7 Other	68,282	65,462	67,095	65,030	63,117	62,355	61,487	64,965	64,738	69,200
8 All other foreigners	50,185	46,171	42,955	42,079	41,842	41,500	42,504	41,359	42,628	40,903
9 Claims of banks' domestic customers[3]	28,881	33,905	37,716	....	....	37,152	....	....	37,127	....
10 Deposits	3,335	4,413	3,650	....	....	5,011	....	....	5,538	....
11 Negotiable and readily transferable instruments[4]	19,332	24,044	26,696	....	....	23,451	....	....	25,120	....
12 Outstanding collections and other claims	6,214	5,448	7,370	....	....	8,689	....	....	6,468	....
13 MEMO: Customer liability on acceptances	28,487	25,706	23,828	....	....	18,769	....	....	19,503	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	38,102	41,396	38,090	34,258	39,504	37,637	43,007[r]	41,871	41,584	n.a.

1. Data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.
2. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
3. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
4. *Principally negotiable time certificates* of deposit and bankers acceptances.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1984	1985	1986	1987		1988	
				Sept.	Dec.	Mar.	June[p]
1 **Total**	**243,952**	**227,903**	**232,295**	**237,521**	**235,447**	**219,327**	**226,410**
By borrower							
2 Maturity of 1 year or less[1]	167,858	160,824	160,555	167,187	164,396	152,592	161,808
3 Foreign public borrowers	23,912	26,302	24,842	26,914	25,986	24,300	25,676
4 All other foreigners	143,947	134,522	135,714	140,273	138,410	128,291	136,131
5 Maturity over 1 year[1]	76,094	67,078	71,740	70,334	71,051	66,735	64,602
6 Foreign public borrowers	38,695	34,512	39,103	39,476	38,626	35,763	35,571
7 All other foreigners	37,399	32,567	32,637	30,858	32,425	30,972	29,032
By area							
Maturity of 1 year or less[1]							
8 Europe	58,498	56,585	61,784	62,941	59,123	51,522	54,675
9 Canada	6,028	6,401	5,895	5,890	5,712	4,939	6,284
10 Latin America and Caribbean	62,791	63,328	56,271	58,387	56,410	55,472	55,900
11 Asia	33,504	27,966	29,457	32,161	36,436	35,992	38,981
12 Africa	4,442	3,753	2,882	2,871	2,824	2,605	2,914
13 All other[2]	2,593	2,791	4,267	4,937	3,891	2,062	3,053
Maturity of over 1 year[1]							
14 Europe	9,605	7,634	6,737	6,753	6,831	6,011	5,427
15 Canada	1,882	1,805	1,925	1,579	2,661	2,233	2,336
16 Latin America and Caribbean	56,144	50,674	56,719	55,089	53,788	51,609	49,729
17 Asia	5,323	4,502	4,043	3,497	3,649	3,627	3,694
18 Africa	2,033	1,538	1,539	1,622	1,746	2,192	2,416
19 All other[2]	1,107	926	777	1,794	2,375	1,063	1,001

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1984	1985	1986			1987				1988	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
1 **Total**	**405.7**	**385.3**	**389.7**	**389.5**	**389.6**	**395.2**	**384.8**	**387.5**	**381.5**	**371.3[r]**	**353.0**
2 G-10 countries and Switzerland	148.1	146.0	160.3	159.0	158.0	162.7	158.1	155.6	160.3	157.1[r]	150.6
3 Belgium-Luxembourg	8.7	9.2	9.0	8.5	8.4	9.1	8.3	8.2	10.1	9.3[r]	9.2
4 France	14.1	12.1	15.1	14.7	13.8	13.3	12.5	13.7	13.8	11.5	10.8
5 Germany	9.0	10.5	11.5	12.5	11.7	12.7	11.2	10.5	12.6	11.8	10.5
6 Italy	10.1	9.6	9.3	8.1	9.0	8.6	7.5	6.6	7.3	7.4	6.1
7 Netherlands	3.9	3.7	3.4	3.9	4.6	4.4	7.3	4.8	4.1	3.3	3.3
8 Sweden	3.2	2.7	2.9	2.7	2.4	3.0	2.4	2.6	2.1	2.1	1.9
9 Switzerland	3.9	4.4	5.6	4.8	5.8	5.8	5.7	5.4	5.6	5.1	5.6
10 United Kingdom	60.3	63.0	69.2	70.3	71.9	73.7	72.0	72.1	69.1	71.2	69.9
11 Canada	7.9	6.8	7.0	6.2	5.4	5.3	4.7	4.7	5.6	5.0	5.4
12 Japan	27.1	23.9	27.2	27.4	25.0	26.9	26.3	27.0	30.1	30.3	28.0
13 Other developed countries	33.6	29.9	30.7	29.5	26.2	25.7	25.2	25.9	26.2	26.2	23.8
14 Austria	1.6	1.5	1.7	1.7	1.7	1.9	1.8	1.9	1.9	1.6	1.6
15 Denmark	2.2	2.3	2.4	2.3	1.7	1.7	1.5	1.6	1.7	1.4	1.0
16 Finland	1.9	1.6	1.6	1.7	1.4	1.4	1.4	1.4	1.3	1.0	1.2
17 Greece	2.9	2.6	2.6	2.3	2.3	2.1	2.0	1.9	2.0	2.3	2.2
18 Norway	3.0	2.9	3.0	2.7	2.4	2.2	2.1	2.0	2.3	2.0	2.0
19 Portugal	1.4	1.2	1.1	1.0	.8	.8	.8	.8	.5	.4	.4
20 Spain	6.5	5.8	6.4	6.7	5.8	6.3	6.1	7.4	8.0	9.0	7.2
21 Turkey	1.9	1.8	2.5	2.1	2.0	1.7	1.7	1.5	1.6	1.6	1.5
22 Other Western Europe	1.7	2.0	2.1	1.6	1.4	1.4	1.5	1.6	1.6	1.9	1.6
23 South Africa	4.5	3.2	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8
24 Australia	6.0	5.0	4.2	4.1	3.5	3.2	3.1	2.9	2.5	2.1	2.3
25 OPEC countries[3]	24.9	21.3	20.6	20.0	19.6	20.0	18.8	18.9	17.1	17.1	16.4
26 Ecuador	2.2	2.1	2.1	2.2	2.2	2.1	2.1	2.0	1.9	1.9	1.8
27 Venezuela	9.3	8.9	8.8	8.7	8.6	8.5	8.4	8.2	8.0	8.0	8.0
28 Indonesia	3.3	3.0	3.0	2.8	2.5	2.4	2.2	2.0	1.9	1.9	1.8
29 Middle East countries	7.9	5.3	5.0	4.6	4.5	5.4	4.4	4.9	3.6	3.6	3.1
30 African countries	2.3	2.0	1.7	1.7	1.7	1.6	1.7	1.7	1.7	1.7	1.7
31 Non-OPEC developing countries	111.8	104.2	102.0	100.0	99.7	100.2	100.1	97.4	97.3	94.0	91.3
Latin America											
32 Argentina	8.7	8.8	9.2	9.3	9.5	9.5	9.5	9.3	9.4	9.5	9.4
33 Brazil	26.3	25.4	25.5	25.4	25.3	26.0	25.0	25.1	24.7	23.9	23.7
34 Chile	7.0	6.9	7.1	7.2	7.1	7.2	7.2	7.0	6.9	6.6	6.4
35 Colombia	2.9	2.6	2.2	2.0	2.1	2.0	1.9	1.9	2.0	1.9	2.1
36 Mexico	25.7	23.9	24.0	24.0	24.0	23.9	25.3	24.7	23.6	22.5	21.1
37 Peru	2.2	1.8	1.6	1.5	1.5	1.4	1.3	1.2	1.1	1.1	.9
38 Other Latin America	3.9	3.4	3.3	3.3	3.1	3.0	2.9	2.8	2.7	2.8	2.6
Asia											
China											
39 Mainland	.7	.5	.6	.6	.4	.9	.6	.3	.3	.4	.3
40 Taiwan	5.1	4.5	3.7	4.3	4.9	5.5	6.6	5.9	8.2	6.1	4.7
41 India	.9	1.2	1.3	1.3	1.2	1.7	1.7	1.9	1.9	2.1	2.3
42 Israel	1.8	1.6	1.6	1.4	1.5	1.4	1.3	1.3	1.0	1.0	1.0
43 Korea (South)	10.6	9.2	8.7	7.3	6.7	6.2	5.6	4.9	4.9	5.6	5.9
44 Malaysia	2.7	2.4	2.0	2.1	2.1	1.9	1.7	1.6	1.5	1.5	1.5
45 Philippines	6.0	5.7	5.7	5.4	5.4	5.4	5.4	5.4	5.1	5.1	4.9
46 Thailand	1.8	1.4	1.1	1.0	.9	.9	.8	.7	.7	1.0	1.0
47 Other Asia	1.1	1.0	.8	.7	.7	.6	.7	.7	.7	.7	.9
Africa											
48 Egypt	1.2	1.0	.9	.7	.7	.6	.6	.6	.5	.5	.6
49 Morocco	.8	.9	.9	.9	.9	.9	.9	.8	.9	.9	.9
50 Zaire	.1	.1	.1	.1	.1	.1	.1	.1	.0	.1	.1
51 Other Africa[4]	2.1	1.9	1.7	1.6	1.6	1.4	1.1	1.3	1.1	1.0	1.2
52 Eastern Europe	4.4	4.1	4.0	3.4	3.2	3.0	3.3	3.3	3.0	2.9	3.1
53 U.S.S.R.	.1	.1	.3	.1	.1	.1	.3	.5	.4	.3	.4
54 Yugoslavia	2.3	2.2	2.0	1.9	1.7	1.6	1.7	1.7	1.6	1.7	1.7
55 Other	2.0	1.8	1.7	1.4	1.4	1.3	1.3	1.2	1.0	.9	1.0
56 Offshore banking centers	65.6	62.9	55.4	60.5	63.2	63.5	61.1	64.4	54.4	52.7	45.8
57 Bahamas	21.5	21.2	17.1	19.9	22.3	24.0	20.1	25.7	17.3	15.9	12.0
58 Bermuda	.9	.7	.4	.4	.7	.8	.6	.6	.6	1.8	1.0
59 Cayman Islands and other British West Indies	11.8	11.6	12.2	12.8	13.6	12.5	14.3	12.7	13.2	11.7	10.0
60 Netherlands Antilles	3.4	2.2	2.4	1.9	1.8	1.7	1.3	1.2	1.2	1.3	1.2
61 Panama[5]	6.7	6.0	4.2	5.1	4.1	4.2	3.9	3.7	3.7	3.2	3.0
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.4	11.4	9.5	10.5	11.2	11.4	12.5	12.3	11.2	11.3	11.7
64 Singapore	9.8	9.8	9.3	9.7	9.4	8.6	8.3	8.1	7.0	7.4	6.8
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.1
66 Miscellaneous and unallocated[7]	17.3	16.9	16.8	17.2	19.8	20.1	18.1	21.9	23.2	21.4	22.4

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. This group comprises the Organization of Petroleum Exporting Countries shown individually, other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates), and Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1984	1985	1986	1987				1988
					Mar.	June	Sept.	Dec.	Mar.[r]
1	**Total**	**29,357**	**27,825**	**25,779**	**27,568**	**29,019**	**28,669**	**27,641**	**28,886**
2	Payable in dollars	26,389	24,296	21,980	23,410	24,565	24,141	22,304	23,201
3	Payable in foreign currencies	2,968	3,529	3,800	4,158	4,454	4,528	5,337	5,685
	By type								
4	Financial liabilities	14,509	13,600	12,312	13,183	14,096	13,034	11,625	13,219
5	Payable in dollars	12,553	11,257	9,827	10,446	11,197	10,080	8,148	9,447
6	Payable in foreign currencies	1,955	2,343	2,485	2,737	2,899	2,954	3,477	3,773
7	Commercial liabilities	14,849	14,225	13,467	14,386	14,923	15,635	16,016	15,666
8	Trade payables	7,005	6,685	6,462	7,073	7,286	7,548	7,425	6,609
9	Advance receipts and other liabilities	7,843	7,540	7,004	7,313	7,637	8,086	8,591	9,057
10	Payable in dollars	13,836	13,039	12,153	12,964	13,368	14,061	14,157	13,754
11	Payable in foreign currencies	1,013	1,186	1,314	1,422	1,555	1,574	1,859	1,912
	By area or country								
	Financial liabilities								
12	Europe	6,728	7,700	8,079	8,434	9,713	9,298	7,845	9,093
13	Belgium-Luxembourg	471	349	270	232	257	230	202	241
14	France	995	857	661	758	822	615	415	365
15	Germany	489	376	368	463	402	505	583	586
16	Netherlands	590	861	704	693	669	641	1,014	1,013
17	Switzerland	569	610	646	663	655	685	493	775
18	United Kingdom	3,297	4,305	5,140	5,365	6,646	6,357	4,946	5,932
19	Canada	863	839	399	431	441	397	400	467
20	Latin America and Caribbean	5,086	3,184	1,961	2,366	1,744	961	847	1,195
21	Bahamas	1,926	1,123	614	669	398	280	278	249
22	Bermuda	13	4	4	0	0	0	0	0
23	Brazil	35	29	32	26	22	22	25	23
24	British West Indies	2,103	1,843	1,163	1,545	1,223	580	476	824
25	Mexico	367	15	22	30	29	17	13	15
26	Venezuela	137	3	0	0	2	3	0	2
27	Asia	1,777	1,815	1,805	1,882	2,131	2,300	2,429	2,379
28	Japan	1,209	1,198	1,398	1,480	1,751	1,830	2,042	1,987
29	Middle East oil-exporting countries[2]	155	82	8	7	7	7	8	12
30	Africa	14	12	1	3	1	2	4	5
31	Oil-exporting countries[3]	0	0	1	1	0	0	1	3
32	All other[4]	41	50	67	67	66	76	100	80
	Commercial liabilities								
33	Europe	4,001	4,074	4,447	4,498	4,966	4,951	5,626	5,751
34	Belgium-Luxembourg	48	62	101	85	111	56	125	144
35	France	438	453	352	380	423	437	451	441
36	Germany	622	607	714	582	585	674	916	817
37	Netherlands	245	364	424	356	324	336	421	483
38	Switzerland	257	379	387	484	557	556	559	529
39	United Kingdom	1,095	976	1,341	1,309	1,380	1,473	1,668	1,798
40	Canada	1,975	1,449	1,405	1,407	1,371	1,399	1,301	1,393
41	Latin America and Caribbean	1,871	1,088	924	1,128	1,069	1,082	865	886
42	Bahamas	7	12	32	28	13	22	19	17
43	Bermuda	114	77	156	325	266	252	168	325
44	Brazil	124	58	61	82	88	40	46	59
45	British West Indies	32	44	49	93	67	47	19	14
46	Mexico	586	430	217	189	214	231	189	161
47	Venezuela	636	212	216	223	203	176	162	77
48	Asia	5,285	6,046	5,091	5,814	5,919	6,511	6,573	5,885
49	Japan	1,256	1,799	2,052	2,468	2,481	2,422	2,580	2,518
50	Middle East oil-exporting countries[2,5]	2,372	2,829	1,679	1,943	1,867	2,104	1,964	1,070
51	Africa	588	587	619	520	524	572	574	551
52	Oil-exporting countries[3]	233	238	197	170	166	151	135	134
53	All other[4]	1,128	982	980	1,019	1,074	1,119	1,078	1,201

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1984	1985	1986	1987				1988
					Mar.	June	Sept.	Dec.	Mar.[r]
1	**Total**	**29,901**	**28,876**	**33,399**	**34,094**	**31,628**	**31,405**	**30,055**	**31,246**
2	Payable in dollars	27,304	26,574	31,031	31,446	28,686	28,880	26,965	29,267
3	Payable in foreign currencies	2,597	2,302	2,367	2,649	2,941	2,525	3,089	1,979
	By type								
4	Financial claims	19,254	18,891	23,424	24,235	21,736	21,068	19,571	20,455
5	Deposits	14,621	15,526	17,283	16,955	14,687	15,796	13,673	13,085
6	Payable in dollars	14,202	14,911	16,726	16,112	13,482	14,919	12,246	12,531
7	Payable in foreign currencies	420	615	557	842	1,205	877	1,426	555
8	Other financial claims	4,633	3,364	6,141	7,280	7,048	5,271	5,899	7,369
9	Payable in dollars	3,190	2,330	4,792	5,937	5,773	4,151	4,790	6,318
10	Payable in foreign currencies	1,442	1,035	1,349	1,343	1,275	1,120	1,109	1,051
11	Commercial claims	10,646	9,986	9,975	9,859	9,892	10,338	10,483	10,792
12	Trade receivables	9,177	8,696	8,783	8,803	8,849	9,385	9,476	9,734
13	Advance payments and other claims	1,470	1,290	1,192	1,056	1,043	953	1,007	1,057
14	Payable in dollars	9,912	9,333	9,513	9,397	9,431	9,810	9,929	10,418
15	Payable in foreign currencies	735	652	462	463	461	528	554	373
	By area or country								
	Financial claims								
16	Europe	5,762	6,929	8,827	9,421	9,975	9,475	9,066	10,189
17	Belgium-Luxembourg	15	10	41	15	6	26	6	15
18	France	126	184	138	181	169	171	359	328
19	Germany	224	223	111	163	92	99	69	85
20	Netherlands	66	161	151	132	140	157	282	334
21	Switzerland	66	74	185	77	98	44	76	56
22	United Kingdom	4,864	6,007	7,957	8,500	9,271	8,783	8,040	9,126
23	Canada	3,988	3,260	3,965	3,828	3,344	2,895	2,796	2,840
24	Latin America and Caribbean	8,216	7,846	9,209	9,574	7,554	7,502	6,757	6,511
25	Bahamas	3,306	2,698	2,628	3,968	2,589	3,328	1,865	2,268
26	Bermuda	6	6	6	3	6	2	7	43
27	Brazil	100	78	73	71	103	102	53	86
28	British West Indies	4,043	4,571	6,078	5,157	4,425	3,687	4,378	3,580
29	Mexico	215	180	174	164	167	173	172	154
30	Venezuela	125	48	21	20	20	18	19	35
31	Asia	961	731	1,316	1,188	789	1,105	830	841
32	Japan	353	475	999	931	452	737	550	673
33	Middle East oil-exporting countries[2]	13	4	7	7	6	10	10	8
34	Africa	210	103	85	84	58	71	65	53
35	Oil-exporting countries[3]	85	29	28	19	9	14	7	7
36	All other[4]	117	21	22	140	16	20	58	21
	Commercial claims								
37	Europe	3,801	3,533	3,708	3,690	3,845	4,115	4,116	4,127
38	Belgium-Luxembourg	165	175	133	145	137	169	177	191
39	France	440	426	414	419	439	416	593	484
40	Germany	374	346	444	447	526	545	555	628
41	Netherlands	335	284	164	154	172	190	132	150
42	Switzerland	271	284	217	196	187	206	185	173
43	United Kingdom	1,063	898	999	1,072	1,074	1,227	1,086	1,084
44	Canada	1,021	1,023	934	977	1,046	1,049	927	1,164
45	Latin America and Caribbean	2,052	1,753	1,857	1,818	1,728	1,709	1,907	1,967
46	Bahamas	8	13	28	11	14	12	19	14
47	Bermuda	115	93	193	180	169	143	159	171
48	Brazil	214	206	234	216	202	230	226	215
49	British West Indies	7	6	39	25	19	20	25	24
50	Mexico	583	510	412	451	346	368	363	371
51	Venezuela	206	157	237	173	203	192	297	323
52	Asia	3,073	2,982	2,755	2,703	2,642	2,796	2,892	2,881
53	Japan	1,191	1,016	881	927	952	1,026	1,150	1,105
54	Middle East oil-exporting countries[2]	668	638	563	525	452	434	450	413
55	Africa	470	437	500	432	378	407	400	422
56	Oil-exporting countries[3]	134	130	139	141	123	124	144	157
57	All other[4]	229	257	222	240	255	262	240	230

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1986	1987	1988 Jan.–July	1988 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
						U.S. corporate securities				
STOCKS										
1 Foreign purchases	148,114	249,113	115,244	12,923	16,344	18,068	15,022	13,654	20,007	19,226
2 Foreign sales	129,395	232,849	114,592	12,891	16,720	18,482	13,705	14,723	19,678	18,393
3 **Net purchases, or sales (−)**	**18,719**	**16,264**	**652**	**32**	**−376**	**−414**	**1,317**	**−1,069**	**329**	**832**
4 **Foreign countries**	**18,927**	**16,313**	**688**	**64**	**−344**	**−444**	**1,300**	**−976**	**287**	**801**
5 Europe	9,559	1,928	−1,315	−222	−323	−360	481	−1,151	33	227
6 France	459	905	−199	−96	−29	−7	−1	−153	121	−34
7 Germany	341	-74	200	67	−37	171	104	−66	−36	−3
8 Netherlands	936	892	−460	−72	59	−223	−145	−43	−56	20
9 Switzerland	1,560	−1,123	−951	−110	−252	−32	−17	−247	−204	−90
10 United Kingdom	4,826	630	−481	−136	−130	−331	429	−711	146	253
11 Canada	816	1,048	148	147	−167	−61	241	102	−172	58
12 Latin America and Caribbean	3,031	1,314	313	−143	261	98	230	−82	−116	66
13 Middle East[1]	976	−1,360	−1,557	104	−251	−788	24	62	−549	−159
14 Other Asia	3,876	12,896	2,840	159	70	577	372	106	1,039	518
15 Africa	297	123	117	7	−18	5	19	23	3	78
16 Other countries	373	365	143	12	85	84	−67	−35	51	13
17 **Nonmonetary international and regional organizations**	**−208**	**−48**	**−36**	**−32**	**−33**	**31**	**17**	**−92**	**42**	**31**
BONDS[2]										
18 Foreign purchases	123,169	105,856	49,978	5,024	6,453	7,799	5,618	7,810	8,341	8,931
19 Foreign sales	72,520	78,312	34,988	5,193	6,039	5,594	4,433	3,518	4,592	5,617
20 **Net purchases, or sales (−)**	**50,648**	**27,544**	**14,990**	**−169**	**414**	**2,206**	**1,185**	**4,292**	**3,749**	**3,314**
21 **Foreign countries**	**49,801**	**26,804**	**15,497**	**458**	**532**	**2,201**	**1,186**	**4,262**	**3,567**	**3,291**
22 Europe	39,313	21,989	8,828	272	263	1,462	658	2,256	2,202	1,715
23 France	389	194	119	51	13	57	7	−18	15	−7
24 Germany	−251	33	1,031	61	118	260	347	11	226	8
25 Netherlands	387	269	325	−13	−1	30	58	180	55	17
26 Switzerland	4,529	1,587	−113	−56	60	−14	−15	152	−71	−169
27 United Kingdom	33,900	19,770	6,896	333	49	976	228	1,886	1,738	1,685
28 Canada	548	1,296	635	29	−29	87	104	98	216	130
29 Latin America and Caribbean	1,476	2,473	1,315	−22	316	245	100	134	157	385
30 Middle East[1]	−2,961	−548	−340	−164	−76	144	−61	10	−92	−102
31 Other Asia	11,270	1,638	5,058	347	88	270	377	1,749	1,075	1,153
32 Africa	16	16	−14	0	−22	3	4	−2	4	0
33 Other countries	139	−61	15	−4	−8	−11	5	17	5	10
34 **Nonmonetary international and regional organizations**	**847**	**740**	**−507**	**−627**	**−119**	**5**	**−1**	**31**	**182**	**23**
						Foreign securities				
35 Stocks, net purchases, or sales (−)	−1,853	1,149	163	511	−678	−724	372	925[r]	−153	−90
36 Foreign purchases	49,149	95,263	42,612	4,989	5,717	6,693	5,797	5,964[r]	6,404	7,048
37 Foreign sales	51,002	94,114	42,449	4,478	6,396	7,417	5,425	5,039[r]	6,557	7,138
38 Bonds, net purchases, or sales (−)	−3,685	−7,830	−4,569	−1,326	−1,433	−1,179	−137	873	−710	−657
39 Foreign purchases	166,992	199,010	112,172	12,812	15,858	16,561	15,593	15,119	17,011	19,219
40 Foreign sales	170,677	206,840	116,741	14,137	17,291	17,740	15,730	14,246	17,721	19,876
41 **Net purchases, or sales (−), of stocks and bonds**	**−5,538**	**−6,682**	**−4,406**	**−814**	**−2,111**	**−1,903**	**235**	**1,798[r]**	**−863**	**−747**
42 **Foreign countries**	**−6,493**	**−6,713**	**−4,689**	**−879**	**−2,131**	**−1,944**	**179**	**1,582[r]**	**−774**	**−721**
43 Europe	−18,026	−12,083	−3,993	−326	−1,627	−1,541	483	681[r]	−1,186	−478
44 Canada	−876	−4,065	−2,741	−654	−648	−366	−406	−162	−186	−319
45 Latin America and Caribbean	3,476	828	1,312	126	−64	138	538	322	301	−48
46 Asia	10,858	9,338	817	−197	37	−154	−407	716	558	263
47 Africa	52	89	85	9	3	48	14	−1	1	11
48 Other countries	−1,977	−820	−170	163	169	−70	−43	24	−262	−151
49 **Nonmonetary international and regional organizations**	**955**	**31**	**283**	**65**	**20**	**41**	**56**	**216**	**−89**	**−26**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1986	1987	1988 Jan.–July	1988 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total[2]**	**19,388**	**25,587**	**39,921**	**4,645**	**12,083**	**9,980**	**3,433**	**11,062[r]**	**–2,162**	**879**
2 Foreign countries[2]	20,491	30,889	40,082	5,740	12,832	9,017	3,728	9,972[r]	–3,337	2,130
3 Europe[2]	16,326	23,716	14,408	4,321	5,878	3,471	2,332	3,108	–3,226	–1,477
4 Belgium–Luxembourg	–245	653	1,424	469	242	454	47	159	–68	122
5 Germany[2]	7,670	13,330	–1,481	3,045	1,397	919	1,576	79	–4,241	–4,257
6 Netherlands	1,283	–913	–14	–337	334	378	117	–22	–796	312
7 Sweden	132	210	–688	–61	26	–245	–93	104	–232	–187
8 Switzerland[2]	329	1,917	211	118	–1,188	643	344	–309	654	–51
9 United Kingdom	4,546	3,975	6,533	–101	4,373	–244	97	1,523	47	837
10 Other Western Europe	2,613	4,563	8,400	1,179	678	1,570	238	1,560	1,420	1,755
11 Eastern Europe	0	–19	23	9	16	–3	5	14	–10	–9
12 Canada	881	4,526	3,191	356	559	372	133	1,415	669	–314
13 Latin America and Caribbean	926	–2,192	895	219	630	198	75	360	–580	–8
14 Venezuela	–96	150	35	0	–1	20	15	1	2	–2
15 Other Latin America and Caribbean	1,130	–1,142	864	184	320	169	97	–17	63	49
16 Netherlands Antilles	–108	–1,200	–5	36	311	10	–36	376	–645	–55
17 Asia	1,345	4,488	20,208	772	5,921	5,463	713	4,476[r]	–382	3,246
18 Japan	–22	868	18,766	2,979	4,996	4330	687	2,820	–52	3,006
19 Africa	–54	–56	–33	–38	25	5	0	–13	–1	–10
20 All other	1,067	407	1,414	110	–182	–492	475	626	183	694
21 Nonmonetary international and regional organizations	–1,104	–5,300	–163	–1,095	–748	963	–295	1,090[r]	1,174	–1,252
22 International	–1,430	–4,387	294	–1,023	–879	968	–334	1,155	1,546	–1,137
23 Latin American regional	157	3	–43	8	–2	–5	0	7	–38	–14
Memo										
24 Foreign countries[2]	20,491	30,889	40,082	5,740	12,832	9,017	3,728	9,972[r]	–3,337	2,130
25 Official institutions	14,214	31,064	24,550	5,118	7,169	8,146	3,075	5,062	–1,658	–2,362
26 Other foreign[2]	6,283	–181	15,534	622	5,663	871	653	4,910[r]	–1,678	4,493
Oil-exporting countries										
27 Middle East[3]	–1,529	–3,142	–532	–809	–296	578	514	–612	–201	295
28 Africa[4]	5	16	1	0	0	0	0	0	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities *with an original maturity of more than 1 year. Data are based on* monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and *United Arab Emirates (Trucial States).*
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on Sept. 30, 1988 Percent	Rate on Sept. 30, 1988 Month effective	Country	Rate on Sept. 30, 1988 Percent	Rate on Sept. 30, 1988 Month effective	Country	Rate on Sept. 30, 1988 Percent	Rate on Sept. 30, 1988 Month effective
Austria	4.0	Aug. 1988	France[1]	7.0	Aug. 1988	Norway	8.0	June 1983
Belgium	7.5	Aug. 1988	Germany, Fed. Rep. of	3.5	Aug. 1988	Switzerland	3.0	Aug. 1988
Brazil	49.0	Mar. 1981	Italy	12.5	Aug. 1988	United Kingdom[2]	....	....
Canada	10.54	Sept. 1988	Japan	2.5	Feb. 1987	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	4.0	Aug. 1988			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per year, averages of daily figures

Country, or type	1985	1986	1987	1988 Mar.	1988 Apr.	1988 May	1988 June	1988 July	1988 Aug.	1988 Sept.
1 Eurodollars	8.27	6.70	7.07	6.74	7.05	7.40	7.61	8.09	8.47	8.31
2 United Kingdom	12.16	10.87	9.65	8.83	8.25	8.00	8.91	10.45	11.29	12.09
3 Canada	9.64	9.18	8.38	8.63	8.90	9.07	9.44	9.42	9.92	10.48
4 Germany	5.40	4.58	3.97	3.38	3.37	3.51	3.88	4.88	5.28	4.93
5 Switzerland	4.92	4.19	3.67	1.61	1.83	2.23	2.82	3.67	3.57	3.34
6 Netherlands	6.29	5.56	5.24	3.97	3.98	4.07	4.10	4.85	4.50	5.51
7 France	9.91	7.68	8.14	7.89	7.99	7.81	7.27	7.32	7.58	7.86
8 Italy	14.86	12.60	11.15	11.11	10.54	10.57	10.90	11.02	11.02	11.27
9 Belgium	9.60	8.04	7.01	6.09	6.08	6.05	6.04	6.84	7.25	7.39
10 Japan	6.47	4.96	3.87	3.82	3.80	3.80	3.82	3.84	3.98	4.15

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar

Country/currency	1985	1986	1987	1988					
				Apr.	May	June	July	Aug.	Sept.
1 Australia/dollar[2]	70.026	67.093	70.136	74.80	77.74	80.76	80.00	80.57	79.15
2 Austria/schilling	20.676	15.260	12.649	11.744	11.912	12.380	12.991	13.281	13.135
3 Belgium/franc	59.336	44.662	37.357	34.962	35.381	36.786	38.649	39.562	39.149
4 Canada/dollar	1.3658	1.3896	1.3259	1.2353	1.2373	1.2176	1.2075	1.2237	1.2267
5 China, P.R./yuan	2.9434	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
6 Denmark/krone	10.598	8.0954	6.8477	6.4207	6.4938	6.6893	7.0266	7.2280	7.1764
7 Finland/markka	6.1971	5.0721	4.4036	4.0064	4.0297	4.1761	4.3896	4.4720	4.4282
8 France/franc	8.9799	6.9256	6.0121	5.6704	5.7348	5.9310	6.2241	6.3919	6.3515
9 Germany/deutsche mark	2.9419	2.1704	1.7981	1.6710	1.6935	1.7579	1.8466	1.8880	1.8668
10 Greece/drachma	138.40	139.93	135.47	133.86	135.75	140.69	147.85	151.62	151.47
11 Hong Kong/dollar	7.7911	7.8037	7.7985	7.8166	7.8156	7.8073	7.8135	7.8050	7.8106
12 India/rupee	12.332	12.597	12.943	13.158	13.315	13.785	14.079	14.217	14.490
13 Ireland/punt[2]	106.62	134.14	148.79	159.81	157.78	152.65	145.49	142.17	143.60
14 Italy/lira	1908.90	1491.16	1297.03	1240.99	1258.81	1305.56	1367.26	1397.93	1393.15
15 Japan/yen	238.47	168.35	144.60	124.90	124.79	127.47	133.02	133.77	134.32
16 Malaysia/ringgit	2.4806	2.5830	2.5185	2.5743	2.5847	2.5860	2.6267	2.6520	2.6643
17 Netherlands/guilder	3.3184	2.4484	2.0263	1.8749	1.8987	1.9767	2.0827	2.1319	2.1063
18 New Zealand/dollar[2]	49.752	52.456	59.327	66.143	68.889	69.996	66.832	64.815	61.480
19 Norway/krone	8.5933	7.3984	6.7408	6.2140	6.1875	6.3951	6.7207	6.9016	6.9150
20 Portugal/escudo	172.07	149.80	141.20	136.77	138.44	143.54	150.42	153.72	154.18
21 Singapore/dollar	2.2008	2.1782	2.1059	2.0044	2.0109	2.0285	2.0459	2.0417	2.0409
22 South Africa/rand	2.2343	2.2918	2.0385	2.1428	2.2114	2.2716	2.3985	2.4531	2.4575
23 South Korea/won	861.89	884.61	825.93	745.31	739.44	732.88	728.67	725.74	723.00
24 Spain/peseta	169.98	140.04	123.54	110.80	112.04	116.25	122.27	124.122	124.36
25 Sri Lanka/rupee	27.187	27.933	29.471	30.939	30.993	31.133	31.782	32.807	32.953
26 Sweden/krona	8.6031	7.1272	6.3468	5.8892	5.9091	6.1074	6.3542	6.4878	6.4448
27 Switzerland/franc	2.4551	1.7979	1.4918	1.3823	1.4111	1.4629	1.5343	1.5837	1.5763
28 Taiwan/dollar	39.889	37.837	31.756	28.695	28.666	28.723	28.726	28.693	28.914
29 Thailand/baht	27.193	26.314	25.774	25.171	25.170	25.280	25.523	25.560	25.548
30 United Kingdom/pound[2]	129.74	146.77	163.98	187.82	186.95	177.68	170.51	169.65	168.40
MEMO									
31 United States/dollar[3]	143.01	112.22	96.94	88.95	89.74	92.58	96.53	98.29	97.91

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of 10 industrial countries. The weight for each of the 10 countries is the 1972–76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see FEDERAL RESERVE BULLETIN, vol. 64, August 1978, p. 700).

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected
e	Estimated
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
n.a.	Not available
n.e.c.	Not elsewhere classified
IPCs	Individuals, partnerships, and corporations
REITs	Real estate investment trusts
RPs	Repurchase agreements
SMSAs	Standard metropolitan statistical areas
. . . .	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables, details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

SPECIAL TABLES

Published Irregularly, with Latest Bulletin Reference

Federal Reserve Board of Governors

ALAN GREENSPAN, *Chairman*
MANUEL H. JOHNSON, *Vice Chairman*
MARTHA R. SEGER
WAYNE D. ANGELL

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JOSEPH R. COYNE, *Assistant to the Board*
DONALD J. WINN, *Assistant to the Board*
BOB STAHLY MOORE, *Special Assistant to the Board*

LEGAL DIVISION

MICHAEL BRADFIELD, *General Counsel*
J. VIRGIL MATTINGLY, JR., *Deputy General Counsel*
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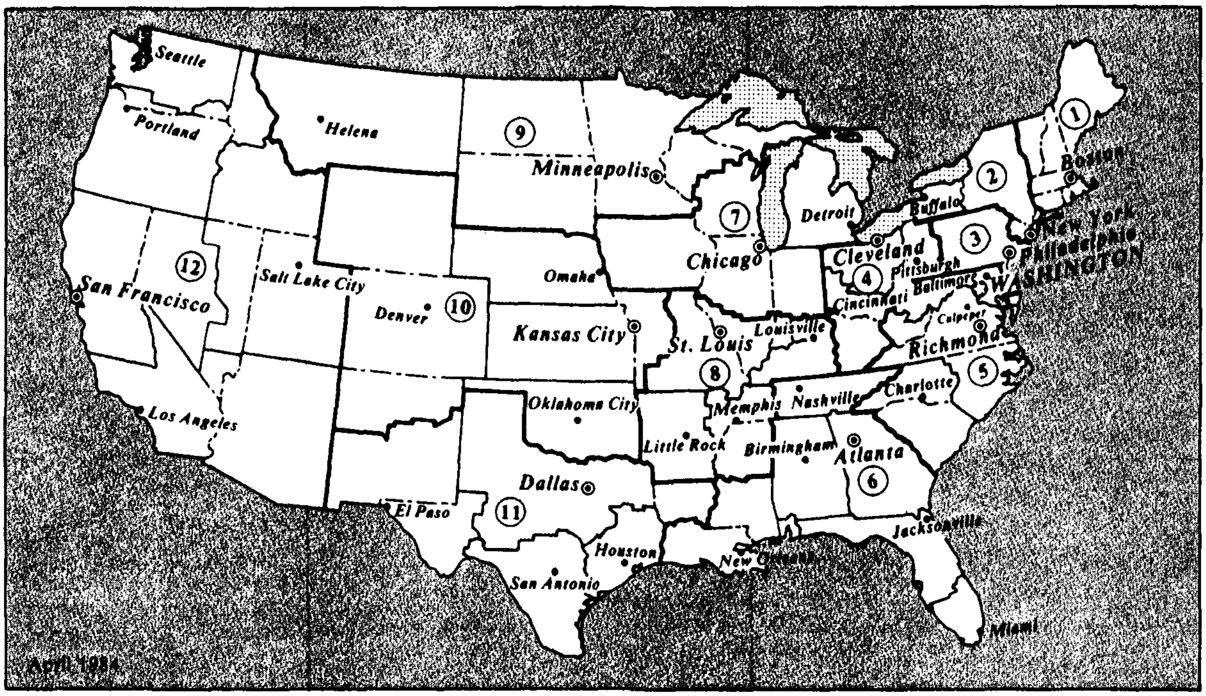
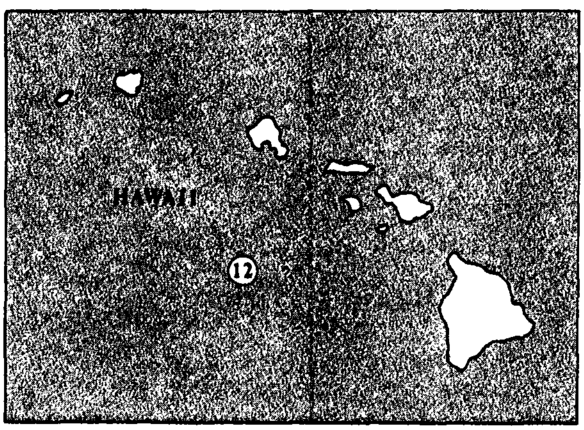
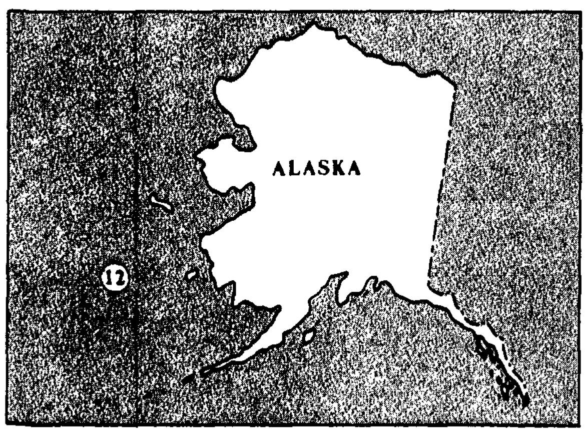
Boundaries of Federal Reserve Districts and Their Branch Territories







LEGEND

- Boundaries of Federal Reserve Districts
- Boundaries of Federal Reserve Branch Territories
- Board of Governors of the Federal Reserve System
- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
- Federal Reserve Bank Facility