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Table of Contents

Recent Developments in Discount Window Policy

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Underlying trends in the depository sector along with changes in federal legislation have had important ramifications in recent years for the discount window, the Federal Reserve's lending facility. The periods of stress and consolidation in the depository sector during the 1980s and 1990s led to the active involvement of the discount window in many failing-bank situations. Indeed, the scope of problems in the banking industry and the extent of discount window lending to troubled institutions were greater than in any period since the Great Depression.

In addition, changes became evident during the 1980s in the willingness of healthy institutions to turn to the discount window. Many banks apparently became more reluctant to turn to the window for fear of provoking market concerns about their financial condition. The greater reluctance to borrow weakened the historical relationship between discount window borrowing and the spread of the federal funds rate over the discount rate. This weakening, in turn, impaired the effectiveness of the discount window in tempering unexpected pressure in the reserve market and reduced the Federal Reserve's emphasis on borrowed reserves in the day-to-day management of the reserve market.

Perhaps the most notable legislation affecting the discount window has been the Depository Institutions Deregulation and Monetary Control Act of 1980, which dramatically expanded the universe of depository institutions eligible to borrow at the discount window. As a result, the Federal Reserve assumed greater direct responsibility for responding to the liquidity needs of all depositories.

Another important legislative change arose in response to the large number of bank failures in the 1980s and the associated depletion of the insurance funds of the Federal Deposit Insurance Corporation (FDIC). The legislation, the Federal Deposit Insurance Corporation Improvement Act of 1991, contained provisions intended to discourage Federal Reserve lending to depositories that do not meet minimum capital standards. Although these provisions do not prohibit the Federal Reserve from lending to such institutions, they specify that the Federal Reserve will incur a limited liability to the FDIC for lending that extends beyond certain time periods and that results in increased losses to the FDIC's insurance funds.

DISCOUNT WINDOW LENDING: THE BASICS

Sections 10B and 13 of the Federal Reserve Act authorize the Federal Reserve Banks to extend discount window credit to depository institutions in the form of discounts and advances. In the early years of the Federal Reserve System, discounts were the primary form of discount window credit. A bank wishing to obtain a discount from its Federal Reserve Bank would present a short-term business loan or other asset meeting the type and maturity specifications set forth in the Federal Reserve Act. The Federal Reserve Bank would extend credit in an amount that reflected the value of the asset at maturity minus a "discount" based on the Federal Reserve's discount rate and the time until maturity of the asset. When the asset matured, the Federal Reserve returned it to the bank and received from the bank a cash payment equal to the maturity value of the asset.

An advance is operationally simpler than a discount, and all discount window credit has been

NOTE. This article has benefitted substantially from extensive comments received from the members of the Discount Policy Group at the Federal Reserve Board—Donald L. Kohn, Oliver Ireland, Gary P. Gillum, and Manley Williams. Helpful suggestions were also received from other staff members at the Board and from discount officers at the Reserve Banks.

provided in the form of advances for many years. For an advance, a bank requests a loan from its Federal Reserve Bank. The rate charged on the loan is the discount rate, and the duration of the loan is determined by the Reserve Bank.[1] To secure the advance, the borrower must pledge collateral in amounts and of types that are satisfactory to the lending Reserve Bank.

In addition to authorizing loans to "eligible" depository institutions, the Federal Reserve Act—in sections 13(3) and 13(13)—authorizes the System to act in emergency circumstances as "lender of last resort" to individuals, partnerships, and corporations. Enacted in 1932, section 13(3) was intended to enable the Federal Reserve to provide credit in the form of discounts for borrowers unable to obtain adequate credit accommodations from other banking institutions; its use was limited to periods of unusual and exigent circumstances, as determined by the affirmative vote of at least five members of the Board of Governors.[2]

The Congress enacted section 13(13) in 1933 to authorize the Federal Reserve to make advances to individuals, partnerships, and corporations on the security of U.S. Treasury and federal agency obligations. Although this provision, unlike section 13(3), carries no statutory restrictions on its use, the Federal Reserve has always regarded its applicability as being limited to unusual or exceptional circumstances. Indeed, since 1973, the Board's Regulation A, which governs discount window lending activities, has restricted use of this authority to emergency circumstances in which borrowers cannot obtain credit from other sources and their failure to obtain credit would adversely affect the economy.

Purpose and Borrowing Eligibility

The Federal Reserve Board's Regulation A defines three discount window programs, each serving a distinct purpose: (1) adjustment credit, to help depository institutions meet unexpected short-term liquidity needs; (2) seasonal credit, to assist smaller institutions in managing liquidity needs that arise from regular swings in loans and deposits; and (3) extended credit, to help depositories that have somewhat longer-term liquidity needs resulting from exceptional circumstances. None of these programs is intended to be a substitute for market funding sources; Regulation A stipulates that banks must first exhaust market sources of funds before turning to the discount window.[3] To ensure that this principle is met in practice, Reserve Banks regularly monitor the sources and uses of funds for institutions while they are borrowing.

Before the Monetary Control Act of 1980, only banks that were members of the Federal Reserve System had regular access to discount window credit.[4] The act imposed reserve requirements on a much larger set of depository institutions and simultaneously extended discount window access to them.[5] As a result, nonmember commercial banks and savings banks as well as savings and loan associations (S&Ls) and credit unions became eligible to borrow at the discount window.[6]

An institution that anticipates borrowing from the Federal Reserve must execute a borrowing agreement and other documents with its Federal Reserve Bank that define the terms and conditions under which discount window loans will be provided. For both historical and administrative reasons, most institutions that are eligible to borrow do not choose to file borrowing agreements or borrow at the discount window. For example, of the approximately 27,000 depository institutions eligible to borrow at the beginning of this year,

1. Regardless of the expected duration of a discount window loan, Reserve Bank operating circulars and borrowing agreements specify that all discount window advances are demand loans—they may be called at the discretion of the Reserve Bank.

2. No loans have been made under this section since the 1930s, although the Board of Governors did activate this authority during two periods in the late 1960s and early 1970s in contemplation of possible liquidity difficulties among nonmember depository institutions.

3. As described below, this requirement does not strictly apply for the seasonal credit program. Regulation A does state, however, that seasonal credit is available only if similar assistance is not available from special industry lenders.

4. U.S. branches and agencies of foreign banks with reservable liabilities gained access to the discount window under the International Banking Act of 1978.

5. Under the act, nonmember depository institutions also gained access to various Federal Reserve priced services such as check clearing, collateral safekeeping, and electronic funds transfers. There is no linkage, however, between an institution's use of Federal Reserve priced services and the availability of discount window credit.

6. The Board has determined that nonbank banks such as corporate central credit unions and bankers banks may have access to the discount window if they voluntarily maintain reserves.

only about 7,000 had filed borrowing agreements. Many smaller banks turn to their correspondent banks when funding needs arise. In addition, special industry lenders such as the Federal Home Loan Banks and corporate central credit unions serve as sources of liquidity assistance for their member institutions; credit unions, in particular, elect to rely almost entirely on their corporate central credit unions for any liquidity assistance rather than turn to the Federal Reserve.

The Mechanics of Borrowing

Institutions almost always initiate loan requests by a telephone call to their respective Reserve Banks. During the call, the borrower describes the nature of the funding shortfall and indicates the amount and duration of the loan required. Staff members at the Reserve Bank ensure that the institution has filed the necessary borrowing documents and has collateral to secure the loan fully. Satisfactory collateral may include U.S. government and agency securities, mortgages covering one- to four-family residences, state and local government securities, commercial and consumer loans, and other customer notes of acceptable quality.

Many institutions that anticipate a periodic need to borrow maintain a pool of collateral earmarked to secure discount window loans. Collateral is usually held at the Federal Reserve Banks or by acceptable third-party custodians, but borrowers in good financial condition may be permitted to hold their own collateral under terms and conditions established by the Reserve Banks. The face value of collateral pledged to secure a discount window loan generally exceeds the amount of the loan; the difference is intended to provide a cushion against loss in the event that a borrower defaults and the Federal Reserve is forced to liquidate the collateral.[7]

THE ADJUSTMENT CREDIT PROGRAM

The adjustment credit program operates at a "micro" level by assisting individual depository institutions in meeting temporary funding requirements in appropriate circumstances. The program also operates at a "macro" level by moderating unexpected pressures in the reserve market.

Lending Policies

Regulation A establishes two key criteria for determining whether to approve a request for adjustment credit: The loan must be for an appropriate reason and borrowers must have exhausted all reasonably available alternative sources of funds, including credit from special industry lenders. Discount officers at each Reserve Bank necessarily use their own judgment in applying these principles to individual circumstances. Appropriate reasons for borrowing include temporary, unanticipated funding shortfalls. Inappropriate reasons for borrowing include funding a *planned* increase in loans or securities, meeting an *anticipated* runoff of higher-cost funds, and exploiting the spread of the federal funds rate over the discount rate.

In judging whether borrowers have pursued all reasonably available alternative sources of funds before turning to the discount window, the Federal Reserve distinguishes between banks with ready access to national money markets, usually large banks, and those that do not have such access, which generally are smaller banks. The distinction between large and small banks is not, however, based solely on asset or deposit size. Most U.S. branches of foreign banks, for example, are treated as large institutions even when the quantity of their assets booked in the United States is small; these branches are typically part of large multinational banking organizations that have ready access to market sources of funds, and the parent entities are expected to meet the bulk of the funding needs of their U.S. branches.

Under these distinctions, Reserve Banks typically grant the requests of large banks for discount window assistance only very late in the day, when the money markets are closing, and usually only when money markets have tightened considerably near the end of a reserve maintenance period (see box, "Borrowing Behavior of Large Banks"). In addition, the largest banks are assumed to be in a position to repay their discount window loans quickly through prompt adjustments in their bal-

7. In most cases, standard "haircuts" are applied to the value of the collateral. The haircuts are intended to account for various factors including the credit, liquidity, and market risks associated with the collateral. Additional haircuts are taken at the discretion of the Federal Reserve Bank when lending to troubled institutions.

Borrowing Behavior of Large Banks

The borrowing function is a convenient way of summarizing the general relationship between borrowing and the spread of the federal funds rate over the discount rate. However, the general relationship obscures some important differences in behavior between institutions in different size categories. Large banks, for example, must make greater efforts than others to obtain funding in national money markets before turning to the discount window; thus, these banks usually turn to the window only late in a reserve maintenance period, which is when reserve pressures tend to appear. Discount window requests by smaller banks are more likely to be approved early in a maintenance period because they are not presumed to have the same degree of access to market funding.[1] Indeed, from 1987 to 1993, more than 80 percent of all discount window borrowing by large banks (defined here as those with total deposits greater than $10 billion) occurred in the second week of the maintenance period, and more than 60 percent occurred on the last day of the maintenance period (chart, left panel). By contrast, discount window borrowing by smaller banks was nearly uniformly distributed over the maintenance period.[2]

Unexpected movements in the federal funds rate on those days when large banks choose to borrow offer another difference between the borrowing behavior of large and small banks. For this illustration, an unexpected movement is defined as the difference between the federal funds rate at 11:00 a.m. and at the close.[3] Again for the 1987–93 period, large banks borrowed on days when the unexpected movement in the federal funds rate was relatively large. In particular, the average unexpected jump in the federal funds rate exceeded 10 percentage points on the final days of maintenance periods (second Wednesdays) on which large banks borrowed. By contrast, for smaller banks, the average unexpected movement was closer to zero for each day.

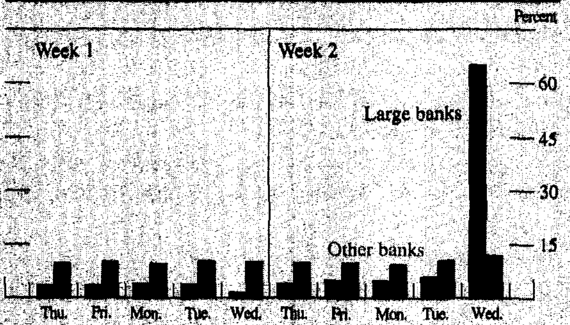
In part, the correlation between unexpected movements in the federal funds rate and the number of large banks turning to the window likely reflects the nature of the largest banks' business. These banks often act as providers of short-term funding to smaller banks, securities dealers, and corporations. On days when the aggegate level of reserves falls short of what depositories anticipated, the federal funds market tightens, and the largest banks can be subject to sudden demands for short-term liquidity. As these banks scramble for funds late in the day, the federal funds rate can be bid up well above the trading range that had been expected earlier in the day until some banks turn to the window.

1. Since February 1984, reserve maintenance periods have been defined as fourteen-day intervals beginning on a Thursday and ending on Wednesday two weeks later.

2. In this analysis, "smaller" banks are those whose deposits are between the level required for weekly reporting of deposit data to the Federal Reserve and $10 billion. The threshold for reporting is changed each year, but it was close to $40 million throughout the sample period.

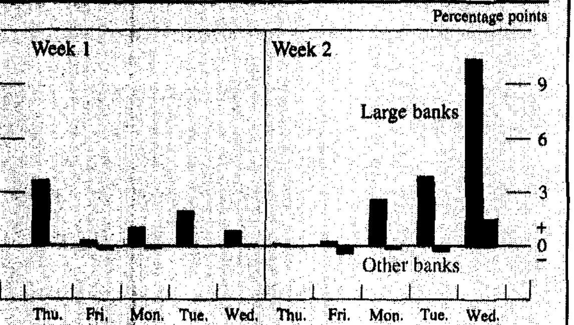
3. The concept of unexpected movements in the funds rate is based on the idea that if the funds market is arbitraged effectively, the federal funds rate prevailing early in the day must be the rate that the market expects to prevail at the close of business. If, for example, the expected level of the federal funds rate at the close exceeded the level of the funds rate earlier in the day, banks would bid up the earlier rate by borrowing heavily in the funds market in order to lend funds at a higher rate later in the day.

Distribution of discount window borrowings during the reserve maintenance period, by day of the period and bank size, 1987–93



Note. Distribution of borrowings by a class of banks on a given day of the reserve maintenance period is the number of borrowings on that day by banks in that class during 1987–93 divided by the total number of borrowings by banks in that class during those years. Large banks are those with total deposits exceeding $10 billion.

Average unexpected change in the federal funds rate on days of the reserve maintenance period when banks borrowed, 1987–93



Note. Unexpected change in the federal funds rate is the rate at the close less the rate at 11:00 a.m. Large banks are those with total deposits exceeding $10 billion.

ance sheets. As a result, discount window loans to large banks are usually extended for only one business day. Banks with less ready access to money market funding may request discount window loans on any day of the reserve maintenance period and at an earlier hour of the day;[8] the Reserve Banks may approve such loans with a term of several days.

The interest rate charged for adjustment credit ordinarily is the basic discount rate. In certain circumstances, however, a higher rate may be applied. For an unusually large loan that results from a major operating problem at the borrower's facility, the highest rate established for loans to depository institutions may be charged; in the current discount rate structure, that rate would be the market-related rate on extended credit (see below).[9]

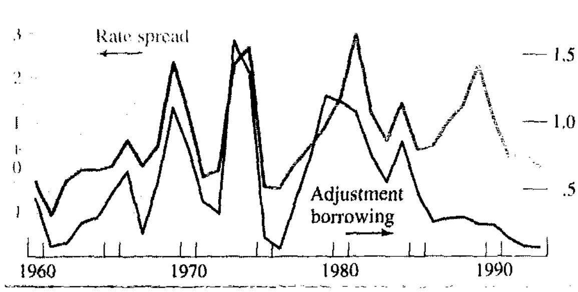
The Borrowing Function

Apart from assisting individual banks in meeting short-term liquidity pressures, adjustment credit serves an important "pressure release" function in the reserve market. The level of adjustment borrowing has historically exhibited a fairly stable relationship to the spread of the federal funds rate over the discount rate (chart 1); wider spreads create a greater incentive to borrow, thus leading to higher aggregate levels of borrowing. This so-called "borrowing function" works to dilute the influence that shifts in the supply and demand for reserves can have on the federal funds rate. For example, on a given day, changes in factors affecting the supply of nonborrowed reserves, such as increases in currency in circulation or flows of reserves from depository institutions to the U.S. Treasury's account at the Federal Reserve, could result in an aggregate shortage of reserves available to depository institutions. A shortage of reserves tends to push up the federal funds rate. But a rise in the federal funds rate induces more banks to turn to the discount window, which alleviates some of the pressure in the reserve market and damps the rise in the federal funds rate.

Although relatively stable for many years, the borrowing function has been less reliable recently, having gradually shifted down since the mid-1980s (chart 1). The result has been a smaller volume of adjustment credit for any given spread of the federal funds rate over the discount rate. The increased reluctance to borrow at the discount window appears to be related in large part to the difficulties experienced in the banking sector during the 1980s. With large numbers of banks and thrifts failing during these years, many banks apparently became more reluctant to turn to the discount window for fear of being labeled a financially weakened institution. This reluctance became acute during the economic downturn in 1990–1991, and the effectiveness of the discount window as a pressure release valve in the reserve market was impaired (see box, "Shifts in the Borrowing Function").

The instability of the borrowing function in recent years also has complicated the Federal Reserve's day-to-day operating procedures. For part of the 1980s, the Federal Reserve relied heavily on the quantity of borrowed reserves as an "operating target" for daily reserve management. As the borrowing function became less stable, however, the "borrowing target" came to be treated much more flexibly; other variables such as the federal funds rate and various measures of reserve conditions have become more important operating guides for reserve management.

1. Adjustment borrowing and the spread of the federal funds rate over the discount rate, 1960–93



8. However, the proceeds of discount window loans are usually not made available to borrowers until the end of the day.

9. In 1980 and 1981, at times when the spread between money market rates and the discount rate was exceptionally wide, the Federal Reserve imposed a surcharge in addition to the basic discount rate. The surcharge, varying between 2 and 4 percentage points, was applied to institutions with deposits of $500 million or more that borrowed too frequently. The surcharges were intended to encourage these institutions to make quicker portfolio adjustments.

Shifts in the Borrowing Function

During the second half of the 1980s, the level of adjustment credit associated with a given spread between the federal funds rate and the discount rate (the so-called borrowing function) declined. One frequently cited factor for the downward shift in the borrowing function is that well-publicized troubles in the banking industry have had a chilling effect on the willingness of banks to turn to the discount window.

The chilling effect could arise because, although the Federal Reserve holds information about discount window borrowing by individual banks in the strictest confidence, market participants at times have tried to infer which banks might be borrowing through knowledge of which banks were bidding for funds in the market late in the day. Usually such inferences have been little more than educated speculation, but market rumors about bank borrowing at the discount window have occasionally prompted withdrawals by account holders or curtailed a bank's access to other market funds. As a result, in the latter half of the 1980s and the early 1990s, troubled or financially weak institutions turned to the window only as a last resort. Moreover, healthy depositories with legitimate reasons for borrowing appeared to avoid the window for fear of raising questions in the marketplace about their financial condition.

The greater reluctance of banks to borrow has had little effect on the ability of the Federal Reserve to achieve its objectives for money growth or for general conditions in reserve and money markets. The reluctance has, however, complicated somewhat the construction of short-term conditional forecasts of borrowed reserves, and it has also reduced the effectiveness of the discount window as a pressure release valve in the reserve market.

The behavior of the federal funds rate early in 1991 provided a strong indication that the discount window was operating less effectively as a buffer in the reserve market. In December 1990, the Federal Reserve cut reserve requirements on nonpersonal time deposits and Eurocurrency liabilities. As a result, reserve balances in the System fell substantially.[1] For a time in early 1991, sharp fluctuations in the demand for excess reserves and an unusual degree of day-to-day volatility in the federal funds rate suggested that the marginal demand of banks for reserves was being importantly affected by the volume of daily clearing activity in the banking system. If banks had been more willing to turn to the discount window, the influence of the daily variability of reserve demand on the federal funds rate most likely would have been significantly muted. In February 1991, in his semiannual testimony to the Congress under the Full Employment and Balanced Growth Act of 1978 (the Humphrey-Hawkins act), Federal Reserve Board Chairman Greenspan noted that the discount window was available, as always, to meet the short-term liquidity needs of depository institutions in appropriate circumstances. For a time, this statement appeared to stimulate a bit more borrowing. Even with the marked improvement in the health of depository institutions since 1991, however, the level of discount window borrowing remains subdued in comparison with levels once associated with a given spread of the federal funds rate over the discount rate.

1. Depository institutions may hold a combination of vault cash and reserve balances to satisfy reserve requirements. The volume of vault cash held by most banks is dictated by customer demands for currency. As a consequence, the reduction in required reserves in December 1990 showed through largely as a reduction in reserve balances held by depository institutions.

Seasonal Credit

The seasonal credit program was established in 1973 to assist small institutions that lack effective access to national money markets and that experience a seasonal pattern of swings in deposits and loans. Previously, these banks had been forced to hold a relatively large share of their asset portfolio in liquid securities through much of the year to be in a position to accommodate their funding needs during the peak period of loan demand and deposit runoffs. By granting these banks longer-term funds to meet their seasonal needs, the seasonal credit program allows them to carry fewer liquid securities during the off-peak periods of the year and to extend more loans in their local communities. The program is structured so that larger institutions must meet a greater portion of their seasonal need through market funding sources. Typically, institutions with more than $250 million in total deposits are not able to demonstrate a seasonal need under the current structure of the seasonal program. In addition, Regulation A specifies that seasonal credit is available only if similar assistance is not available from special industry lenders.

Most lending under the seasonal credit program is to small agricultural banks in the Midwest.[10] Agricultural banks face strong loan demand and deposit runoffs as farmers cultivate their crops during the spring and summer months. In the fall, farmers sell their crops, rebuild their deposit balances, and pay down their bank loans. Simultaneously, banks pay down their seasonal loans with the Federal Reserve.

Banks that wish to establish a seasonal line generally are required to submit three years of historical data on loans and deposits to their Reserve Bank. From these data, the Reserve Bank calculates the maximum amount of credit that each institution is eligible to borrow in each month of the year; the approved seasonal line also may reflect adjustments based on discussions with the borrower regarding expected funding needs in the coming year. Reserve Banks require that borrowers meet a certain portion of their seasonal need—known as the "deductible"—from their own resources. The deductible is based on the size of the borrower and reflects the presumption that larger depositories have greater access to market sources of funds and therefore should have less need for seasonal credit.

Institutions with approved seasonal credit lines are not required to exhaust all other "reasonably available" sources of liquidity before borrowing. Indeed, borrowers of seasonal credit are permitted to maintain a net "sold" federal funds position that is consistent with historical operating patterns. The Reserve Banks monitor borrowers, however, to ensure that they are using seasonal credit to fund increases in loans or deposit runoffs and that they are meeting the "deductible" portion of their seasonal need through their own resources. As with all forms of discount window credit, seasonal credit loans must be fully collateralized.

Usage of the seasonal credit program has grown and changed significantly over time. Since passage of the the Monetary Control Act of 1980, nonmember banks have become increasingly important users of the program (chart 2); indeed, in recent years, they have outnumbered member banks as borrowers of seasonal credit. Changes in the terms of the program in 1985 contributed to greater use of seasonal credit. In that year, the 4 percent deductible for the first $100 million of deposits was lowered to 2 percent, and the 7 percent deductible on additional deposits up to $200 million was lowered to 6 percent; the 10 percent deductible on deposits in excess of $200 million remained the same. These reductions were intended to help alleviate the severe financial difficulties experienced in the farm sector during the mid-1980s.[11]

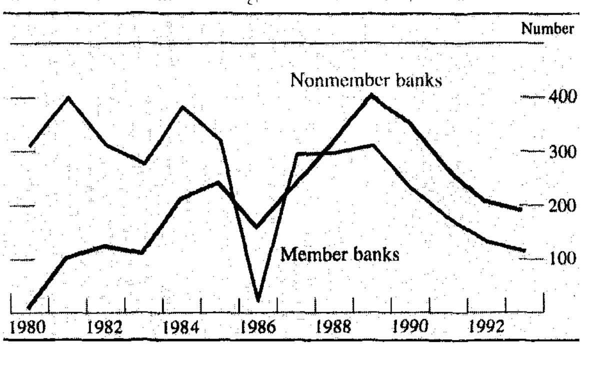
Until recently, the rate charged on seasonal credit loans was the basic discount rate, the same rate charged for adjustment credit. The discount rate generally lies below market interest rates, and hence the seasonal program created a small subsidy for borrowers.[12] Given the rapid growth of seasonal credit over the 1980s and a judgment that financial markets had become better able to meet the seasonal funding needs of smaller banks, the Board elected to move to a market-related discount rate on seasonal credit beginning in January 1992. The market-related rate is established at the

10. Seasonal borrowers also include some depositories in resort areas that experience large changes in their loans and deposits over the course of a year.

11. In 1985 the Board also created a temporary simplified seasonal program. This program was designed to make it easier for small agricultural banks that might be experiencing unusual liquidity pressures to gain access seasonal credit. Banks could borrow up to one-half of the increase in their total loans in excess of 2 percent from a base level. The discount rate for the temporary seasonal program was set at ½ percentage point above the basic discount rate. The amount of borrowing under the temporary program was quite small and the Board discontinued the program in 1988.

12. Using the federal funds rate as a benchmark, the extent of the subsidy for seasonal borrowers was relatively small. An average seasonal borrower during the peak months of the year might borrow about $1 million. Assuming that the spread between the federal funds rate and discount rate was a rather wide 100 basis points and that the institution maintained its peak level of borrowing continuously for a full 9 months (very unlikely), the implied subsidy would amount to only about $7,500 per year, a minuscule savings on the bank's overall funding costs.

2. Number of banks using seasonal credit, 1980–93



beginning of each reserve maintenance period and is based upon the average federal funds rate and the average secondary market rate on negotiable ninety-day bank certificates of deposit prevailing during the previous maintenance period.

The move to a market-related rate has not dramatically reduced the volume of borrowing under the seasonal credit program (chart 3); indeed, the peak levels of borrowing in 1994 were close to the record levels posted in 1989. In part, this continued use may indicate that borrowers still find the market-related discount rate charged on seasonal credit to be attractive relative to rates offered by their correspondents. Also important may be the nonpecuniary costs of borrowing from correspondents, who may impose relatively restrictive terms on the types of acceptable collateral, the size of credit limits, and the length of periods of continuous borrowing.

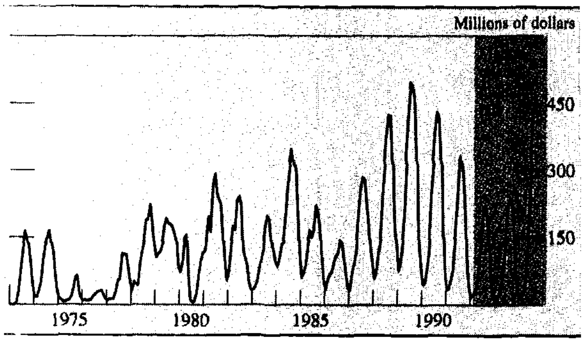
Extended Credit

The extended credit program is designed to address the needs of institutions facing longer-term ("extended") liquidity pressures in exceptional circumstances. For the past several years, the discount rate charged on extended credit has been somewhat above market interest rates. In addition, this program affords credit only under stringent conditions. Institutions seeking extended credit must submit a business plan describing how they intend to address their liquidity difficulties, and they must have exhausted all other sources of funding before turning to the window. Borrowers in the extended credit program are expected to restrain lending activity to the minimum required to remain viable in serving their markets. More generally, a borrower must shrink its balance sheet in an orderly manner, and its efforts to do so are closely monitored by its Reserve Bank. As described in detail below, the Federal Deposit Insurance Corporation Improvement Act of 1991 places restraints on discount window lending to institutions that do not meet minimum capital standards.

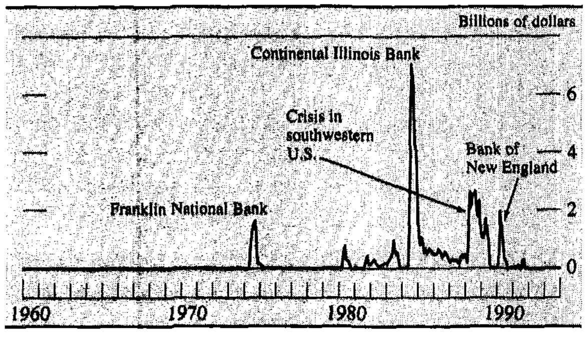
Certain borrowers drew heavily on extended credit in the 1980s (chart 4), especially during the 1985–91 period, when the number of failures of banks and thrift institutions exceeded that of any period since the Great Depression.[13] Some of the Federal Reserve's extended credit lending in this period bridged a temporary period of illiquidity for institutions that proved to be viable, but in many other cases Federal Reserve loans were provided to institutions that were closed or required federal assistance to restore viability. Federal Reserve lending in these latter cases provided time for the FDIC and the chartering authorities to arrange for orderly closings of failing institutions. Extended credit lending was conducted in consultation with the FDIC and the relevant state and federal banking authorities to ensure that such lending would serve a clear public purpose. The Federal Reserve's lending to troubled institutions during the 1980s has been the subject of some controversy, however, and a brief review of extended credit lending since 1980 provides some perspective on the Federal Reserve's actions.

13. During these years, 1,192 federally insured banks failed and 1,034 federally insured S&Ls failed or were subject to supervisory mergers.

3. Seasonal borrowing, 1973–September 1994



4. Extended credit borrowing, 1960–93



EXTENDED CREDIT LENDING: 1980–85

In the late 1970s and early 1980s, the depository sector came under considerable strain as a result of a steep climb in interest rates and inflation and the ensuing deep economic recession. In the savings and loan industry, many institutions faced weak earnings on their asset portfolios at a time when their funding costs had risen sharply. Moreover, federal limits on interest rates on deposits, in combination with the sharp rise in market interest rates, sparked a severe decline in deposits as account holders, in a process called disintermediation, shifted their funds into money market instruments offering higher yields. As a result, many S&Ls (as well as banks) suffered intense liquidity pressures.

The Federal Home Loan Bank (FHLB) System historically had served as a key funding source for savings and loan associations by issuing debt in the national money markets and lending the proceeds to its member associations. However, by mid-1981 the magnitude of the disintermediation at thrift institutions raised the possibility that it would exceed the funding capacity of the FHLB System. As a precautionary measure, the Federal Home Loan Banks and the Federal Reserve announced that they would lend jointly to financially sound S&Ls that needed longer-term liquidity assistance. The amount of lending under this program was relatively small; the program did, however, establish a precedent for cooperation between the FHLB System and the Federal Reserve that would become important again during the S&L crisis of the late 1980s.

In another action associated with the early-1980s prospect of possibly large-scale lending to S&Ls, the Federal Reserve altered the structure of rates charged on extended credit. Since 1974, extended credit borrowers had been charged a rate of up to 2 percentage points over the basic discount rate. In August 1981, the rate structure was revised to charge the basic discount rate for the first 60 days of extended credit borrowing, the basic discount rate plus 1 percentage point for the next 90 days of borrowing, and the basic rate plus 2 percentage points for borrowing beyond 150 days. The purpose of the graduated rate schedule was to increase the incentive for institutions to address their liquidity problems as their reliance on the discount window became more prolonged.

The liquidity and solvency problems among commercial banks in the early 1980s were not as severe as those in the thrift industry, but some banks were in serious trouble. In 1980, the FDIC provided extensive "open-bank assistance" to First Pennsylvania Bank, which had suffered large losses on its securities portfolio.[14] The Federal Reserve provided extended credit to First Pennsylvania for a time to address its liquidity needs. In July 1982, Penn Square National Bank failed owing to substantial losses on energy loans. Liquidity pressures emerged during the days immediately preceding the bank's failure, and the Federal Reserve provided limited discount window assistance.

Penn Square was a relatively small institution, but it was an aggressive originator of loan participations. The largest single purchaser of these loan participations was Continental Illinois National Bank. Losses on loans purchased from Penn Square, coupled with other asset quality problems, led to severe liquidity pressures at Continental in early May 1984.

To address the bank's problems, staunch the outflow of funds, and prevent similar runs at Continental's respondent banks, the FDIC implemented an open-bank assistance package. The FDIC also took the extraordinary step of announcing on May 17, 1984, that all general creditors of the bank would be fully protected against loss. In support of the FDIC's efforts, the Federal Reserve provided extensive discount window assistance to Continental from May 1984 through September 1985.

Continental drew heavily on extended credit at a time when the highest interest rate charged for extended credit loans—2 percentage points over the basic discount rate—was lower than market rates. Concerns that Continental was obtaining substantial funding at a below-market rate prompted the Federal Reserve Bank of Chicago to obtain the Federal Reserve Board's permission to apply a market-related rate to Continental's borrowing. Later, on November 8, 1984, the Board changed

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14. In the case of First Pennsylvania, assistance was provided under the "essentiality" clause of section 13(c) of the Federal Deposit Insurance Act. Under this provision, the FDIC could provide assistance to a depository institution without regard to cost considerations if the institution was deemed "essential" to provide adequate banking service in its community. A finding of essentiality required a majority vote of the FDIC Board; the case of First Pennsylvania marked only the third time that the FDIC had invoked the essentiality clause.

the rate structure for extended credit to give all Reserve Banks the option of applying a market-related rate for extended credit borrowing beyond 150 days instead of the basic rate plus 2 percentage points. The previously established schedule of the basic rate for the first 60 days and the basic rate plus 1 percentage point for the next 90 days was left unchanged. The market-related rate was intended to apply principally to larger institutions with access to national money markets, especially during times when market rates generally exceeded the basic rate plus 2 percentage points.

Extended Credit Lending: 1985–90

As the problems at Continental Illinois subsided, a series of new problems began to emerge. In March 1985, a privately insured S&L in Ohio failed, raising widespread concern over the safety of deposits in the numerous thrift institutions without federal deposit insurance. Soon thereafter, a liquidity crisis for privately insured institutions arose in Maryland. The Federal Reserve supplied discount window assistance in both states to help calm the situation and to permit solvent institutions to remain open.

At about the same time, a severe downturn in the farm economy resulted in heavy losses for Midwestern banks in agricultural communities. And a little later, a sharp decline in oil prices led to the deterioration of portfolios of energy loans at banks in the Southwest—a situation that was soon compounded by a collapse in commercial real estate markets and a broad regional economic downturn. During this period, many of the largest banks in Texas failed. With hundreds of institutions failing during the latter half of the 1980s, Federal Reserve credit was often provided to allow time for orderly resolutions, which gave depositors uninterrupted access to their funds and, more broadly, ensured that an adequate level of banking services would continue to be available.

As the frequency of extended credit lending situations increased, the Federal Reserve moved to simplify its rate structure for extended credit and to broaden the use of a market-related rate. On July 27, 1987, the Board approved a policy of charging the basic discount rate for the first thirty days of borrowing and a flexible rate somewhat above market rates for borrowing beyond thirty days. The flexible rate also could be applied sooner than thirty days at the discretion of the lending Federal Reserve Bank.

By the late 1980s, the difficulties of many S&Ls far exceeded the capability of the Federal Savings and Loan Insurance Corporation to resolve them. As a result, President Bush in the early days of his administration acted to place insolvent S&Ls in federal conservatorships while the Congress developed legislation to address the fundamental structural, regulatory, and deposit insurance problems in the thrift industry.

To meet potential liquidity needs that might arise before legislation could be enacted, the Federal Reserve in concert with the FHLB System and the Treasury entered into a Joint Lending Program to provide liquidity to S&Ls experiencing severe withdrawals of deposits, particularly those institutions in federal conservatorship. Under this program, established on February 23, 1989, credit was extended only when alternative funds were not available. The Federal Reserve and the FHLB System each advanced 45 percent of the loans, and the Treasury advanced 10 percent. Credit extensions were secured by the assets of the borrower and guaranteed by the Federal Savings and Loan Insurance Corporation. Lending under the program was slight—only two S&Ls in conservatorship borrowed—but the program offers another example of the cooperative action of federal banking authorities to avert potential systemic crises.

In August 1989, the Congress passed the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), which established the Resolution Trust Corporation (RTC) as a temporary agency charged with resolving the hundreds of S&Ls that failed. The RTC also assumed responsibility for any liquidity support that thrift institutions in conservatorship might require, so the Joint Lending Program was discontinued.

Benefits and Costs of Extended Credit Lending

Concerned over the mounting frequency and cost of bank failures, the Congress in 1991 began to develop legislation to strengthen the ability of federal banking agencies to deal promptly with financially weak depositories. The Congress also

FDICIA and the Discount Window

The Federal Deposit Insurance Corporation Improvement Act of 1991 is aimed at enhancing market and regulatory discipline in the banking sector and protecting the federal deposit insurance funds. The core elements of FDICIA establish five capital categories for depository institutions: (1) well capitalized, (2) adequately capitalized, (3) undercapitalized, (4) significantly undercapitalized, and (5) critically undercapitalized. These categories are defined by specific capital ratios.[1] FDICIA prescribes increasingly severe supervisory actions to be applied to an institution as it moves into lower capital categories. In addition, FDICIA also places restraints on Federal Reserve lending to institutions that fall below minimum capital standards.[2]

Section 142

Section 142 of FDICIA amended section 10B of the Federal Reserve Act to set time periods beyond which the Federal Reserve may not lend to undercapitalized and critically undercapitalized institutions without incurring a potential limited liability to the FDIC.

The Board generally incurs a potential liability to the FDIC if an undercapitalized institution borrows for more than 60 days in any 120-day period.[3] This liability provision may be suspended for a 60-day period if the head of the institution's primary federal regulator certifies in writing to the Federal Reserve that the institution is viable. Alternatively, the liability provision may be suspended for a 60-day period if the Federal Reserve conducts its own examination of the institution and the Chairman of the Board of Governors certifies in writing to the lending Federal Reserve Bank that the institution is viable. Each subsequent 60-day suspension of the liability provision requires new viability certifications. For critically undercapitalized institutions, the Board incurs a potential liability to the FDIC for increases in discount window advances beyond a 5-day period beginning on the date the institution becomes critically undercapitalized.

The potential liability to the FDIC incurred by the Board for advances exceeding the section 142 limitations is capped at the lesser of the interest earned on the increases in advances beyond the specified period or the losses the Federal Reserve would have incurred if the increased advances had been unsecured. Section 142 further requires that the Board report to the Congress within six months after incurring any such liability to the FDIC.

Section 473

The bulk of the provisions in FDICIA pertaining to the discount window are contained in section 142, but section 473 effects a technical change in the emergency lending powers of the Federal Reserve under section 13(3) of the Federal Reserve Act. Section 473 removes a restriction on the "kinds and maturities" of notes, drafts, and bills of exchange that can be discounted for individuals, partnerships, and corporations under the authority of section 13(3). In those extremely unlikely circumstances in which section 13(3) lending authority might be invoked, this change provides greater flexibility to the Federal Reserve in managing a financial crisis.

1. For details, see the Federal Reserve's Regulation H, 12 C.F.R. 208; and *Federal Reserve Regulatory Service*, 3-1506–1506.2.

2. For purposes of section 142, an institution that receives the lowest supervisory rating from its primary federal regulator is also classified as undercapitalized, regardless of its actual capital ratios.

3. Changes in capital categories for depository institutions are tied to dates associated with official actions such as the required filing date for a Call Report, receipt of written notice from a primary regulator, or the delivery of a final report of examination.

undertook an assessment of Federal Reserve lending to institutions whose capital had slipped below adequate levels.

The Federal Reserve had long been mindful of both the benefits and potential costs associated with prolonged lending to institutions whose solvency is unclear. An important benefit of Federal Reserve lending in these situations has been the time provided to the FDIC and the other banking agencies to carry out the orderly closure and resolution of failed institutions. Arranging for the sale of a failed bank can be time consuming and labor intensive—bid documents must be prepared and potential acquirers must have time to conduct a careful review of the failed bank's assets and liabilities. This process helps the FDIC obtain the best price for the failed bank through competitive bidding by interested acquirers.

In the absence of liquidity assistance, many failed institutions would have been closed abruptly, with possible interruptions in depositors' access to their funds—including balances covered by federal deposit insurance—and in the availability of other banking services. At times of widespread financial distress, when depositors and other creditors cannot be certain of the solvency of individual banks, such disruptions may generate fears among customers of other banks and thereby trigger a spread of liquidity pressures. Abrupt and disorderly closures also may adversely affect the market value of failed institutions and reduce the price obtained by the FDIC.

The Federal Reserve recognized that costs may be associated with prolonged lending to troubled institutions. Such lending, for example, can allow uninsured depositors and other general creditors to exit a failing bank before its closure. When Federal Reserve loans, which are fully collateralized, replace funds that are not federally insured, the FDIC may face higher resolution costs. In addition, a perception that discount window assistance will be readily available to troubled institutions can weaken market discipline in the banking system and remove some of the pressure on bank regulators to close troubled institutions promptly.

In assessing the experience of the previous years, the Congress and the Federal Reserve agreed that it would be appropriate to establish restraints on the provision of discount window credit to institutions that do not meet minimum capital standards. To this end, section 142 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) sets time periods beyond which the Federal Reserve may not lend to institutions below minimum capital standards without incurring a potential limited liability to the FDIC (see box, "FDICIA and the Discount Window").

Section 142 of FDICIA did not become effective until December 19, 1993. The delayed implementation was intended, in part, to provide time for the federal banking agencies to exercise the new regulatory authorities granted in FDICIA to strengthen the banking system. Nevertheless, the Federal Reserve sought to move as promptly as was prudent to bring its administration of the discount window into line with the provisions of section 142. The level of extended credit fell sharply (chart 4), partly reflecting a smaller number of bank failures; but the drop also reflected the more aggressive posture of the Federal Reserve and bank regulators in resolving troubled banks swiftly, which thereby reduced the need for prolonged liquidity assistance from the discount window.[15]

Potential Implications of Recent Regulatory Developments

The panoply of regulatory changes stemming from FDICIA included many initiatives that directly link a bank's funding capability with its capital status. For example, FDICIA prohibits institutions that are undercapitalized from accepting brokered deposits. In addition, institutions that are not allowed to accept brokered deposits may also lose "pass-through" deposit insurance on new deposits or rollovers of existing deposits obtained from fiduciaries such as pension funds and insurance companies.[16] Institutions that fall below minimum capital standards may face limits on the deposit interest rates they can offer to attract new deposit accounts. In addition, an undercapitalized depository may find its usual federal funds lines and respondent balances diminished as a result of a restriction, mandated by FDICIA and put in place this year, that requires banks to limit their exposure to an undercapitalized depository institution. Also, under the Federal Reserve's policies to contain payments system risk, institutions generally face tighter constraints on their intraday reserve positions as their capital condition deteriorates.

Other regulatory developments may indirectly exert a powerful influence on bank liquidity in the future. For example, the incentive for unsecured general creditors—Eurodollar creditors and sellers of federal funds for example—to withdraw their funds at an early stage of a bank's decline is now greater because of the national depositor preference provision adopted as title III of the Omnibus Budget Reconciliation Act of 1993. This provision

15. The last period of heavy extended credit lending occurred in the first half of 1990 when the Bank of New England borrowed from the discount window continuously from January 15 to June 13 of that year. The bank did not borrow again before its closure on January 6, 1991.

16. As an example of pass-through deposit insurance, a financial institution acting as a custodian for many individuals—a pension fund or insurance company, for example—deposits in a bank, say, $10 million, in which case deposit insurance may be "passed-through" to each individual up to the limit of $100,000 per individual, which in turn may allow the entire $10 million deposit to be insured.

places the claims of insured and uninsured domestic depositors of a failed bank ahead of the claims of other general creditors. As a result, unsecured general creditors are at greater risk of loss in a bank failure and may flee the bank earlier to avoid such losses.

To date, strong capital and earnings for most depository institutions have mitigated the potential liquidity effects of these regulatory developments. These factors likely would become important, however, in some future period of financial distress. In that event, the Federal Reserve will likely face critical decisions about curtailing the access of troubled banks to the discount window at a much earlier stage of their difficulties than was typical in the past. □

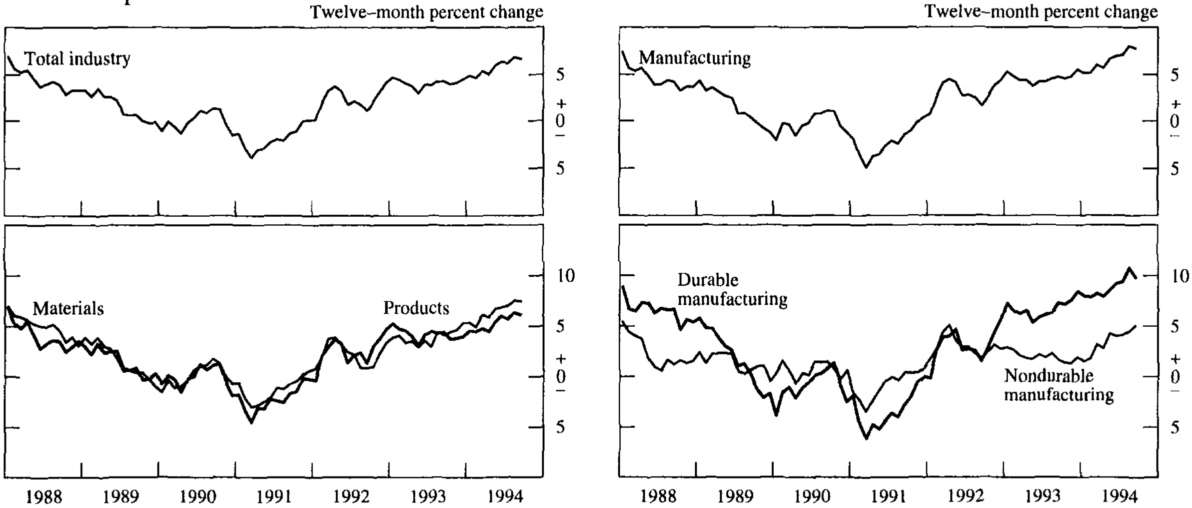
Industrial Production and Capacity Utilization for September 1994

Released for publication October 14

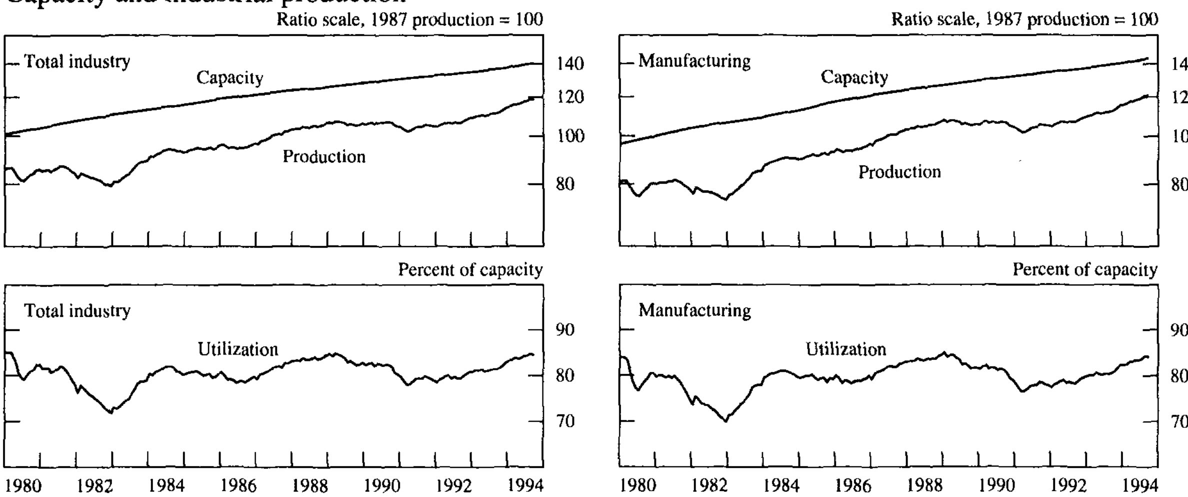
Industrial production was unchanged in September after an increase of 0.7 percent in August. In September, disruptions associated with a strike and with temporary parts shortages contributed to a decrease in the output of motor vehicles and parts. However, output excluding motor vehicles edged up 0.1 percent, an increase led by another sizable increase in the output of business equipment.

At 118.7 percent of its 1987 average, industrial production in September was 6.7 percent higher

Industrial production indexes



Capacity and industrial production



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

Statement to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, September 22, 1994

I am pleased to be here to discuss the condition of the U.S. banking system, especially at a time when the industry's performance appears to be so robust. But first, Mr. Chairman, I want to take this opportunity to personally thank you for the working relationship we have enjoyed over the years. You have probed the basis of economic policy with impressive insight and while at times we have disagreed, as President Ford used to say, never to the point of being disagreeable. You will be leaving the U.S. Senate shortly with an impressive list of legislative accomplishments. Under your leadership during a period of unusual turmoil and challenge, the Banking Committee has focused importantly on the safety and soundness of U.S. depository institutions and the protection of the federal deposit insurance funds. It has also begun the process of modernizing the banking system.

Given the industry's experience as recently as three years ago, its current condition is a positive testament to its resilience and strength. This condition and the progress it reflects bode well for the industry's future, a future enhanced by the recent enactment of the Riegle–Neal Interstate Banking and Branching Efficiency Act.

The U.S. banking system, like the U.S. economy more generally, has undergone an important transition in recent years in response to technological and financial innovations and in the face of intense competitive pressures, both domestically and abroad. We can only expect such trends in the banking framework to continue. Managing this process and adapting to new market practices will be a significant challenge to the banking system and to the regulatory agencies. It is important not only that the industry be allowed to adapt but also that it build on the progress it has made in managing its risks.

Despite recent stress, the many changes and innovations in financial markets worldwide, and the increased role of nonbank competitors, the U.S. commercial banking system remains the centerpiece of the nation's financial system. In that role, banks should continue to be held to high standards of risk management because of their central role and because of their access to the government safety net. Such standards should be set, however, with an understanding of how financial markets work and a mindfulness of the lesser constraints and requirements imposed on banks' nonbank competitors. Moreover, we should not lose sight of the necessity for banks to take risks if they are to perform their essential economic function.

In my remarks this morning, I will offer the Federal Reserve's views of the progress the industry has made in recent years to rebuild its strength and what needs to be done to ensure that the industry remains strong and accommodates the nation's economic growth. Current conditions are very good, but the industry, the regulators, and the Congress need to look to the long term as well.

The Past

As recently as 1991, much of the industry was under severe stress. During the last half of the 1980s, nearly 900 commercial and savings banks failed, and even in 1991 and 1992 more than 100 banks failed each year. At more than 1,000, the number of "problem" banks in 1991 also remained unacceptably high, although well below the peak of nearly 1,600 institutions in 1987. That 1991 figure was especially disturbing because, by then, it included some major institutions, which boosted the assets of problem banks to more than $600 billion.

These difficulties had many of their roots in events that occurred more than a decade before. Throughout the 1980s and into the 1990s, much of the U.S. banking system was faced with serious asset quality problems. Problem loans to developing countries plagued many of the nation's largest banks, beginning in the early 1980s. Later, declining energy prices hurt many banks, especially those in the Southwest, and then came agricultural problems in the Midwest. Finally, excessive lending to commercial real estate markets—combined with the 1990–91 recession—produced the banking industry's last round of problems.

This series of events caused the volume of nonperforming assets and the number of commercial bank failures to rise sharply. Nonaccruing loans and foreclosed real estate more than doubled, from $43 billion in 1984 to the peak of $95 billion in 1991, and banks failed at intolerable rates. By year-end 1991, the cost of resolving these failures and reserving for expected losses had nearly drained the industry's Bank Insurance Fund (BIF) and had prompted the Congress to enact major banking legislation.

THE PRESENT

Today, the condition of the banking system is sound and much improved from only a few years ago. This progress was brought about by a host of factors that included changes to bank policies, write-offs of large amounts of bad debts, substantial increases in capital, changes in standards adopted by the Congress and the regulatory agencies, a stronger economy, and the decline in the level of market interest rates.

Responding to their asset quality problems and to changing market conditions, many banks made strategic decisions to restructure their activities, cut dividends and operating costs, expand revenues, and, in general, develop more efficient operations. The industry also devoted increased attention to establishing and maintaining sound credit standards. To some extent, a widespread strengthening of these standards worsened the so-called credit crunch that the economy experienced a few years ago, but it was a necessary process by bank management. This adjustment of overly aggressive loan policies that led to some of the problems of the late 1980s and early 1990s illustrates the eventual costs of pursuing unsustainable growth.

These efforts to improve operations and credit standards have had highly salutary effects. Since 1991, U.S. banking organizations have recorded two consecutive years of record profits and have substantially improved their capital ratios, all while absorbing net charge-offs of nearly $50 billion in bad debts. As a result, the industry has largely overcome its recent problems and repositioned itself for further growth.

The regulatory agencies facilitated this process by encouraging and, at times, urging many of the industry's actions and by helping banks identify weaknesses in their investment and loan portfolios and in their operating controls and procedures. The Federal Reserve placed particular emphasis on discouraging expansion by institutions that did not have strong financial and managerial profiles. Throughout this process, the risk-based capital standard, reinforced by the prompt corrective action provisions required by the Congress in the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), served to guide managerial and supervisory actions and highlighted the benefits of being well capitalized.

Current Condition

The industry's improved condition is demonstrated in nearly every measure of financial performance. Besides the past two years of record earnings, U.S. commercial banks were on pace at midyear to report still higher profits in 1994. The industry's return on assets (ROA) reached 1.23 percent in 1993, the highest level in decades. Since then, the industry's ROA has declined slightly to 1.17 percent but in large part only because of changed accounting rules that increased the reported assets of major trading banks.

These strong earnings, moreover, extend throughout the industry. Last year and during the first six months of 1994, more than 60 percent of all U.S. commercial banks had ROAs larger than 1.0 percent, a historical benchmark of strong profits, although less than 5 percent of them reported losses—the lowest level since 1980. However, in an important shift from conditions during the 1980s, the earnings of large banks—those with assets exceeding $10 billion—are now also historically high, with almost 70 percent of these institutions reporting ROAs of more than 1.0 percent.

Shareholders' capital offers the greatest protection from unanticipated or sustained losses and is the principal shield for the Bank Insurance Fund. At 7.8 percent of assets in June 1994, the industry's equity capital ratio was the strongest in nearly thirty years, and the average Basle risk-based capital ratio was 13.2 percent. These measures are well above regulatory minimums and, once again, represent substantial progress by banks of all sizes. Large banks have historically had lower capital ratios than smaller institutions, at least partly because of their greater diversification, and they still do. Nevertheless, large banks have also strengthened their capital positions substantially in recent years and now have an average risk-based ratio approaching 12 percent. Among commercial banks operating in September, only thirty-six institutions, with aggregate assets of about $3 billion, failed to meet the minimum capital standards at midyear.

Asset quality is also much improved, as a result of the stronger credit standards and substantial charge-offs of nonaccruing loans and foreclosed real estate. Since 1991, problem assets have declined more than one-half, to $42 billion. Moreover, by maintaining their loan-loss reserves through adequate provisions, commercial banks have increased the reserve coverage of their nonperforming loans from 84 percent in 1991 to 181 percent at midyear 1994.

All of this improvement is reflected in the smaller numbers of failed and problem banks, which may provide the best indicators of the industry's improved condition. In contrast to the large number of commercial banks that failed each year from 1985 through 1992, forty banks failed in 1993, and only eleven commercial banks comprising total assets of only $1 billion have been closed through mid-September of this year. The estimated cost of their failures to the BIF is small. Even during the 1960s and 1970s, the industry often experienced eight to ten failures each year.

The number and assets of problem banks—those rated CAMEL 4 or 5—also continue to decline. With $42 billion in assets at midyear, the remaining 338 problem commercial banks, out of a total of 10,700 banks, are much smaller, on average, and far fewer than was the case only several years earlier. Building on the substantial progress achieved in 1992 and 1993, the number of problem banks fell 21 percent during the first six months of 1994, while problem bank assets dropped more than 80 percent.

This recent improvement in problem institutions, bank failures, and related resolution costs marks a highly welcome and long-awaited turn of events. At its current rate of progress, the BIF is likely to reach the required 1.25 percent of insured deposits within the next year. That time frame is much earlier than many analysts had projected only a few years ago and is well within the time period authorized by law. This improvement in the BIF represents, however, a situation that may require congressional attention in the near future because of the respective insurance premiums paid by banks and thrift institutions. As the BIF reaches its target level, one would expect its currently high premiums to decline to their more traditional levels. That would certainly be a welcome event to commercial banks. Any such decision to lower BIF premiums, though, while maintaining the higher premiums required to rebuild the Savings Association Insurance Fund (SAIF), could seriously undermine the competitiveness of thrift institutions.

Although the industry's performance is highly encouraging, experience has shown that future problems—even when they are impending—are sometimes overlooked and that banks need adequate general reserves for such occasions. At present, we see no major problems looming, but we should recognize that the risks are always there. The industry's average reserve balance, equal to 2.4 percent of outstanding loans and leases, however, remains high by historical standards and, when combined with the improved asset quality and capital ratios, seems adequate for the industry as a whole.

I would note, though, that some banks have sharply curtailed or eliminated their provisions for possible losses in response to the improved outlook for future charge-offs and the relatively high level of reserves. Indeed, many commercial banks made no loan-loss provisions during the first half of 1994. I am not questioning those decisions at this time, because these institutions, in particular, tend to have higher-than-average reserve ratios. Nonetheless, I would urge the industry to guard against letting reserves decline too far. Although asset quality has improved sharply, banks should ensure that their loss provisions and reserves remain adequate to support unidentified losses and the pace of loan growth.

In recent months, I have begun to receive reports from examiners and from surveys that banks are competing more aggressively for loans and that they are relaxing their credit standards. Lending margins, in particular—and especially for medium and large corporate customers—have declined, and loan covenants and collateral requirements have eased. These developments have benefits to the economy and, in part, reflect the easing of standards that had been sharply raised as banks rebuilt their capital positions. It is too early to know if banks are easing excessively, but our examiners are sensitive to such concerns.

Increased Trading and Derivatives Activities

During recent years, many of the country's largest banks have sought to increase their revenues by expanding their trading operations and by developing greater expertise in derivative products. This approach is, in large part, a natural response by these institutions to financial and technological innovations and changing market demands. As I have suggested in previous testimony, this is not a strategy that should be discouraged, although we need to be vigilant that new and complicated instruments are issued only within the framework of strong risk management controls. Large corporations that once looked to banks for financing now have other funding sources and turn to banks principally for other financial services, including assistance in managing market risks. Banks that have sufficient expertise to advise, innovate, and make markets in complex financial products see this shift as providing them with new and important sources of noninterest revenues.

This trend is reflected in the increased volume of trading and derivatives activities of banks. Trading account assets of U.S. banks, for example, nearly doubled in size from $67 billion at the end of 1991 to $122 billion at the end of 1993. During the first six months of 1994, these assets climbed much further—to $228 billion but principally because of an accounting change rather than real growth. Although their effects are less transparent, off-balance-sheet positions also continue to grow, whether measured by notional or replacement values, or by the credit equivalence measure specified by the Basle Accord.

Revenues from trading and derivatives activities grew commensurately through last year and were highly useful in helping some large institutions rebuild their capital and earnings and recover from credit-related difficulties of the past. These revenues last year were exceptional, though, and were widely recognized as such at the time. In the first half of this year, with rising interest rates, most large trading institutions experienced sharply lower trading revenues. Nevertheless, only three of the fifty largest banking organizations suffered net losses from their trading activities during the first half—and those losses were quite small. Although the experience was unpleasant to many of these institutions, it may have provided a useful reminder to the industry that position-taking has its risks.

Stock Market Response

The securities market has responded favorably to the industry's improved condition. Common share prices of the fifty largest bank holding companies currently trade at an average of about 150 percent of book value, compared with an average of 90 percent at the end of 1990. This higher valuation rate has increased the market value of these fifty companies by more than $100 billion.

Almost all of the gain in stock prices took place during 1991 and 1992, as the industry's net interest margins and earnings improved. This year, stock prices for the group as a whole have been relatively stable, despite the declines in trading revenue reported by some large institutions.

Many analysts had expected trading revenues, typically concentrated among the largest institutions, to decline from their exceptionally high levels in 1993 and had built that prediction into their earnings forecasts. Although the declines in some cases were greater than projected, shares of the money center companies have, on average, continued to outperform the broader market so far this year, as measured by major equity indexes.

THOUGHTS ABOUT THE FUTURE

As we consider these favorable conditions, we need to remind ourselves that there are, and will continue to be, difficult challenges ahead. Some of these challenges will be familiar ones that tend to reappear at different stages of the economic cycle. One can easily predict, for example, that loan losses will again rise the next time the economy slows materially or enters a recessionary period. Banks are in the business of taking risks, and such risks inevitably translate into some losses; if that did not occur, banks would not be performing their economic function.

Nonetheless, credit risk, the risk that a customer will default on an obligation, has been, and remains, the most critical risk to commercial banks and one that must be managed carefully. It may also be the risk in banking that still demands the most subjective judgment, despite constant efforts to improve and quantify the credit decisionmaking process. Unfortunately, bankers and sometimes their supervisors tend to forget that point and other lessons of the past, as memories fade and conditions change. Bankers pursue faster loan growth, and supervisors hesitate to criticize aggressive practices as long as economic conditions remain favorable. We need to achieve a proper balance to prevent excessive risk-taking, while not discouraging banks from taking risks in responding to legitimate needs of their customers.

Other challenges will be less traditional, as banking takes new directions in the years ahead. Although the underlying risks may not be new, they may be packaged in new products, activities, and organizational structures that bankers must learn to manage and regulators must learn to supervise. The development of new products, such as complex derivative instruments, and the general trend toward asset securitization offer banks useful ways to reduce risks and generate revenues, but they also carry risks of their own. That is why the supervisory effort is increasingly focusing on the evaluation of risk-management systems.

Competition in financial markets only continues to grow, as the number and types of mutual funds multiply and more nonbank institutions compete aggressively to make commercial and consumer loans. Technological changes will continue to modify the environment in which banks compete. These and other events will require continued efforts by banks of all sizes to operate efficiently, to innovate, and to find new opportunities for growth. Indeed, many large banks are responding to these forces by emphasizing their market risk-management skills and by continuing to expand interstate. However, the competitive abilities of small banks in offering plain vanilla banking services look secure for well into the twenty-first century, although they, too, will increasingly use new technology to deliver banking services.

In recent years, both small and large banks have been able to maintain their competitive position. Indeed, research conducted within the Federal Reserve System, as well as by the American Bankers Association, has suggested that, when properly measured, banking's share of financial intermediation has not declined as much as conventional indicators suggested. Moreover, by some measures banks appear to have more than held their own. This new research attempts to incorporate not only traditional statistics, such as bank loans, but also the estimated "credit equivalent" amounts of the many new off-balance-sheet activities, estimates of certain offshore banking operations, and other adjustments to the data that attempt to account for the effects of technological change and globalization. These results are interesting and provocative and give quantitative meaning to something we all knew—that banks are adapting to, and participating in, the changes sweeping the financial services industry, as well as being severely challenged by them.

In the last analysis, however, whether banks are expanding, holding their own, or losing market share is largely irrelevant—unless the changing share is being driven by outdated legal barriers or subsidies. It has always seemed to me that there should only be two tests for evaluating potential permissible activities at banking organizations:

1. Will the activity facilitate the efficient deployment of assets, capital, and human resources to meet the public's need for financial services?
2. Is the risk acceptable on safety and soundness grounds?

Our experience with section 20 affiliates and trading activities of banks suggests that securities and trading activities meet these tests. This experience also clearly demonstrates that supervision by the Securities and Exchange Commission of section 20 affiliates, and the banking agencies of both section 20 affiliates and bank trading activities, has more than met the challenges during periods of market stress. Moreover, it seems obvious to me that the public is well served by additional competitors offering underwriting services. These benefits would be particularly strengthened as banks use their expertise for regional and smaller customers.

Keeping pace with industry practices requires that the regulatory agencies constantly review their supervisory policies and techniques. In large part, as I noted above, emphasizing the importance of sound credit practices is still paramount, and such time-tested procedures as conducting frequent, full-scope, on-site examinations that are centered around a review of asset quality should remain solidly intact. For many banks, though, these reviews should be supplemented by an in-depth assessment of their risk-management techniques and controls. These efforts should cover trading and nontrading operations and the role of these institutions as derivatives dealers and end users.

When examiners are evaluating market risks, they will need to focus on the overall nature of a bank's trading activities and exposures and on its policies, risk-management systems, and controls, rather than on specific positions that can change quickly. Examiners should also emphasize the importance of testing a bank's exposures to a variety of different market conditions, which becomes more feasible as technology improves. Rigorous stress testing is one of the most important aspects of managing market risks and one to which banks should devote more attention.

Fortunately, the basic nature of most major banking organizations makes them relatively strong and well diversified to withstand a great deal of stress. Their ability to absorb large credit losses in recent years and to recover as they have attest to that point. Moreover, the consistent profitability of trading activities of almost all large banks suggests that these institutions are able to manage the associated risks.

However, developing more sophisticated risk-management and examination techniques and attracting and retaining qualified staff become more important as financial products grow more complex. Doing that will be a challenge to banks and bank supervisors, alike. Indeed, as I contemplate the future of banking, I am concerned about the continued ability of the government to recruit, reward, and maintain a supervisory staff with the technical skills to evaluate the trading positions of banks—particularly as the private sector competes for people with the same skills.

Once again, the growth of derivative instruments provides a prime example. Some forms of derivatives have long histories because they meet a fundamental economic need to transfer risks among willing individuals. Although some of the more recent variations of derivatives are highly complex in their design and behavior, they meet a market demand and should continue to grow. We must deal with their complexity and learn how to manage and use these instruments wisely, understanding their role and implications for the entire financial system.

For its part, the Federal Reserve is taking steps to ensure that its examiners have the proper training and guidance to evaluate these complex activities and is also participating actively through international efforts to advance sound supervisory policies and procedures worldwide. In recent months, the Federal Reserve has issued policy statements dealing with sound management and examination practices regarding trading and derivatives activities, developed a *Trading Activities Manual*, and established capital markets coordinators at each Reserve Bank to enhance communications, provide training, and transfer supervisory resources as needed throughout the Federal Reserve System. We also continue to support efforts of the Basle Committee on Banking Supervision to develop capital standards for trading and derivatives activities and are working through that body and through the Group of Ten central bank governors to develop related reporting and disclosure standards.

As the regulatory agencies and the Congress consider the industry's evolving role, I should repeat that banks must be allowed to take risks; they will thus make mistakes and some will fail. Permitting them management flexibility to perform their function, however, is necessary to foster innovation and promote economic growth. Our target should not be to avoid all bank failures. Rather, our responsibility, as regulators, should be to ensure that mistakes, and in extreme cases failures, do not disrupt the marketplace or impose undue costs on the federal safety net.

It is a balancing process, with real economic costs on each side. Regulatory burden is an important concern and should be kept at a minimum, but the cost of regulatory laxity can also be high. FDICIA's requirements of frequent and comprehensive examinations and prompt corrective action have been useful provisions and should help us to maintain a proper balance.

As we proceed through the 1990s, we should focus on enhancing supervisory practices, rather than on developing new laws and regulations. Risks need to be evaluated in the context of individual institutions and at a level of detail that typically requires an on-site presence. We must assure ourselves that a bank's established policies and procedures adequately control for risk and are consistent with the principles of sound banking and that its practices follow these principles. A specific financial instrument, for example, may adequately hedge or reduce the market risk of one bank but be an unacceptable investment for another, depending on the specific mix of assets and liabilities each institution holds and on the institution's ability to evaluate and manage its risks.

Once again, stress testing may play an important role in managing and measuring risks and is likely to be a key factor in constructing a minimum international capital standard for market risk. Stress tests, though, must be structured carefully to reflect the nature of risks faced by individual banks. Additional disclosure, which permits increased market discipline, can also perform an important role and may help deter excessive risk-taking.

The supervisory process must also adapt to new concerns of the public as banks develop new products and services. The sale of mutual funds, for example, must be accompanied by assurances that issues of full disclosure of investor risk are addressed by institutions. Unfortunately, surveys suggest that some banks have not yet implemented the necessary procedures to ensure that the uninsured nature of these investment products is disclosed to their customers. In its supervisory role, the Federal Reserve has attempted to ensure good industry practice through the issuance of guidelines, rather than through complex and burdensome regulations. It will be up to the industry to demonstrate that this flexible approach is adequate.

COMMUNITY REINVESTMENT AND FAIR LENDING

Let me now turn to some issues that I know have been of serious concern to you and to this committee—the problem of racial discrimination in our credit markets and related concerns about the effectiveness of the Community Reinvestment Act (CRA).

The Board and the other supervisory agencies have been troubled by indications that some of our citizens have experienced unwarranted difficulties in obtaining credit due to discriminatory practices. Although we may never truly know the magnitude of the problem, its existence seems undeniable and requires prompt and decisive action.

Whether discrimination is a product of habit and culture, or the deliberate acts of individuals, the consequences are the same. Unfair practices resulting in credit decisions that are not based on legitimate economic factors harm our society and impair our economy, not to mention reduce the profit opportunities of our banks. Discrimination in lending directly limits the ability of its victims to own homes, build businesses, create job opportunities, or accumulate wealth. It stifles economic development and opportunity in our communities and neighborhoods. On a broader scale, discrimination in credit markets restricts the free flow of capital, reduces the demand for goods and services, and robs our economy of financial and human resources that can contribute to economic growth.

Let me assure you that we are doing our best to deal decisively with the problem. The agencies have been quite aggressive in communicating our expectations on equal credit opportunity to senior management of financial institutions. We have augmented our examination procedures, strengthened examiner training, and sponsored numerous educational programs for bankers on fair lending issues and "best practices." We continue to coordinate our activities with other federal agencies having responsibilities under our fair lending laws.

None of this, of course, is a substitute for action by financial institutions. We believe that these issues must be addressed aggressively by the financial services industry itself. We will continue to encourage institutions to reexamine their marketing, employee training, and loan underwriting practices to ensure that all aspects of the credit-granting process are fair and free from unintended discriminatory consequences.

The agencies also have been engaged in a comprehensive process to reform implementation of the CRA. Proposed changes to CRA regulations were published by the agencies earlier this year, and well over 6,000 comments from the public have been received and reviewed, a record number. The agencies are now in the final stages of preparing revised regulations for further public comment.

As you know, we were asked by the President, as well as by members of the Congress, bankers, community groups, and others to make the CRA evaluation process more objective by clarifying what is meant by good CRA performance. We were also asked to reduce the regulatory burden of the legislation on financial institutions. The need to consider a number of competing, if not incompatible, objectives championed by many parties has made this a difficult process. The unprecedented volume of comments on the proposed regulation helped to clarify some issues but highlighted deep divisions on others and did not simplify our task.

Ultimately, actual performance—not paperwork and procedures—should be the primary focus of CRA evaluations. But it would be a serious mistake if the desire to make CRA assessments more objective produced instead government credit allocation. That would not only destroy one of the major strengths of the CRA—the flexibility that enables banks and their communities to design programs that respond to the unique needs of their local markets—but would also reduce the efficiency, and ultimately the growth, of our economy.

In short, further quantifying what is meant by good CRA performance, while avoiding additional regulatory burdens and damaging credit allocation, requires a delicate balance. The regulatory agencies will shortly consider a new proposal, and we hope that an acceptable and workable balance can be reached.

Congressional Action

Just as banks and the regulatory agencies must constantly review their operations and rules, so too should the Congress periodically revisit and update the banking statutes. Some recent actions are quite encouraging, and I congratulate you and the committee for your success in enacting the Riegle–Neal Interstate Banking and Branching Efficiency Act as well as the Riegle Community Development and Regulatory Improvement Act of 1994. In the context of the condition of the banking system, the interstate banking legislation, in particular, should have positive and important implications for the long-term health and competitiveness of U.S. banks.

Although these recent developments are favorable, we at the Federal Reserve Board have long encouraged the Congress to take still further steps to expand bank activities. As the committee knows, nonbank organizations are competing aggressively for the traditional customers of commercial banks. Much has been done to address this situation and to ease the competitive problems banks face, particularly in the area of securities sales and underwriting. Most of that relief, however, has come from the agencies' limited flexibility to revise or interpret their regulations. More sweeping statutory changes are needed, regarding both securities and insurance products. The test should be what is good for the economy and for consumers of financial services—within the constraints of acceptable risk-taking for institutions with access to the safety net.

CONCLUSION

In conclusion, the banking system is stronger now than it has been in many years, and it seems well prepared to meet the nation's credit needs. Indeed, the pace of progress in the 1990s has been most remarkable and much faster than one could have reasonably expected a few years ago. Maintaining a healthy banking system is vital to the country's welfare. Accordingly, we must remain vigilant against new threats and costly problems that can arise quickly with little forewarning.

One risk that is always present is that presented by uncertainty and change. To confront that risk the industry must be willing and able to adapt. The U.S. banking system has consistently demonstrated its strength in this regard and is acknowledged as the world's leader in financial innovation. Some current laws, however, constrain the industry in ways that no longer serve their purpose. The banking industry, the regulatory agencies, and the Congress can all take credit for the positive events we have seen in recent years, but we must share responsibility for the industry's future as well. We should be willing to acknowledge change and adapt to new challenges. □

Announcements

MEETING OF CONSUMER ADVISORY COUNCIL

The Federal Reserve Board on October 3, 1994, announced a meeting of the Consumer Advisory Council scheduled for November 3. The Council's function is to advise the Board on the exercise of the Board's responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

PROPOSED ACTION

The Federal Reserve Board in conjunction with the other financial institutions regulatory agencies requested public comment on a revised proposal to amend Regulation BB (Community Reinvestment) and related conforming amendments to Regulation C (Home Mortgage Disclosure). The previous amendments were proposed for public comment on December 21, 1993. Comments on the revised proposal are requested by November 21, 1994.

CHANGES IN BOARD STAFF

The Board of Governors announced on September 15, 1994, the promotion of Portia W. Thompson to the position of Equal Employment Opportunity Programs Adviser. Ms. Thompson will continue in her current position as the Board's EEO Programs Director until a replacement can be selected, not later than January 1, 1995. The new EEO Programs Adviser position has been established in recognition of a sizable increase in workload and a heightened emphasis on Systemwide affirmative action and diversity. The EEO Programs Adviser will report to Mr. Theodore Allison, Assistant to the Board for Federal Reserve System Affairs.

The Board of Governors announced on September 29, 1994, that Day Radebaugh would join the Office of the Secretary as Visiting Assistant Secretary on October 1, 1994. He is currently Assistant Director in the Division of Information Resources Management. The Board's Visiting Assistant Secretary program is intended to further the professional development of Board officers by providing broad exposure to programs and operations of the Board and the System.

ERRATUM: Federal Reserve Bulletin

In "Changes in Family Finances from 1989 to 1992: Evidence from the Survey of Consumer Finances" in the October 1994 *Bulletin,* note 22 on page 880 contains an error: The number of families represented by the 1992 Survey of Consumer Finances is 95.9 million instead of 92.9 million as stated. □

Minutes of the Federal Open Market Committee Meeting Held on August 16, 1994

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, August 16, 1994, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Blinder
Mr. Broaddus
Mr. Forrestal
Mr. Jordan
Mr. Kelley
Mr. LaWare
Mr. Lindsey
Mr. Parry
Ms. Phillips
Ms. Yellen

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

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

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

Messrs. Beebe, Goodfriend, Lindsey, Promisel, Siegman, Simpson, Stockton, and Ms. Tschinkel, Associate Economists

Ms. Lovett, Manager for Domestic Operations, System Open Market Account
Mr. Fisher, Manager for Foreign Operations, System Open Market Account

Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors
Mr. Slifman, Associate Director, Division of Research and Statistics, Board of Governors
Mr. Madigan, Associate Director, Division of Monetary Affairs, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Messrs. Bennett, Davis, Dewald, Rosenblum, and Vander Wilt, Senior Vice Presidents, Federal Reserve Banks of New York, Kansas City, St. Louis, Dallas, and Chicago respectively
Messrs. McNees, Meyer, and Sniderman, Vice Presidents, Federal Reserve Banks of Boston, Philadelphia, and Cleveland respectively

Ms. Meulendyke, Assistant Vice President, Federal Reserve Bank of New York
Mr. Weber, Senior Research Officer, Federal Reserve Bank of Minneapolis

Secretary's Note:
Advice had been received that Janet L. Yellen had executed her oath of office as member of the Federal Open Market Committee.
Advice also had been received of the election of Cathy E. Minehan by the boards of directors of the Federal Reserve Banks of Boston, Philadelphia, and Richmond as alternate member of the Federal Open Market Committee for the period ending December 31, 1994, and that she had executed her oath of office; and of the election of William C. Conrad by the boards of directors of the Federal Reserve Banks of Cleveland and Chicago as alternate member of the Federal Open Market Committee for the period ending with the appointment of a president for the Federal Reserve Bank of Chicago or December 31, 1994, whichever comes first, and that he had executed his oath of office.

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on July 5–6, 1994, were approved.

The Manager for Foreign Operations reported on developments in foreign exchange markets during the period since the July meeting. There were no System open market transactions in foreign currencies during this period, and thus no vote was required of the Committee.

The Manager for Domestic Operations reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period July 6, 1994, through August 15, 1994. By unanimous vote, the Committee ratified these transactions.

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

The information reviewed at this meeting suggested that the pace of economic expansion, though still substantial, might have slowed somewhat recently. Consumer spending continued to post moderate gains, supported by rising labor income and favorable sentiment. Business outlays for plant and equipment remained on a steep uptrend, but higher interest rates seemed to be having some restraining effect on homebuilding activity. Resource utilization was at elevated levels, with factories operating at relatively high rates and labor markets evidencing very low levels of slack. Increases in broad indexes of consumer and producer prices had remained moderate in recent months, apart from the effects of short-run swings in the volatile food and energy components.

Nonfarm payroll employment continued to advance at a robust pace in July. Hiring in the services industries remained strong, with personnel supply agencies posting another sizable increase. Jobs also were up substantially in retail trade and construction. By contrast, employment in manufacturing was held down by strike activity. The civilian unemployment rate edged up to 6.1 percent in July, little changed from the average for the second quarter.

Industrial production rose moderately in July after a sizable gain in June; a decline in electricity generation from its unusually high weather-related level in June damped the July advance. Manufacturing output was up considerably in July, despite a drop in the production of motor vehicles and parts; outside of motor vehicles, increases were widespread, with a very large rise recorded in the output of durable consumer goods. The overall rate of capacity utilization in manufacturing remained at a high level, with most major industry groups operating at or near capacity.

Growth in consumer spending had slowed in recent months, owing in part to constraints on the supply of motor vehicles. Nominal retail sales edged lower in July after expanding at a slightly reduced pace in the second quarter. Sales at general merchandise and furniture and appliance stores increased further in July, while purchases at apparel outlets were down after large June increases. Sales at automotive dealerships fell appreciably in July after edging lower in the second quarter; these sales declines apparently resulted in part from the inability of manufacturers to produce enough of the most popular models. Housing starts in July retraced part of a large June decline but remained below their elevated rate in the fourth quarter of 1993.

Business fixed investment expanded in the second quarter at about the same brisk pace as in the first quarter but well below the rate recorded in 1993. In the second quarter, a strong recovery in nonresidential construction activity from the weather-related decline of the first quarter offset a marked slowing in business purchases of durable equipment. Much of the slowdown in the growth of outlays for equipment reflected a reduction in the pace of acquisition of office and computing equipment. Other categories of durable equipment, with the exception of aircraft and motor vehicles, continued to show solid increases. Most indicators of business investment activity suggested further large gains in coming months: Orders for nondefense capital goods pointed to a continued strong expansion in spending on business equipment, and permits for nonresidential construction had been rising as well.

Business inventory investment slowed in June after a sharp acceleration in April and May; for the second quarter as a whole, inventories were up substantially, but they appeared to have remained broadly in line with sales. In manufacturing, recent inventory buildups had been concentrated in a few industries in which orders had been particularly strong. For manufacturing as a whole, the ratio of stocks to shipments declined from an already low level. At the wholesale level, the accumulation of inventories in the second quarter was largely in durable goods, which were in strong demand; the inventory-to-sales ratio for this sector remained below the range that has prevailed in recent years. A large part of the buildup of retail inventories in the second quarter was in nondurable goods, especially in stocks of general merchandise. For the retail sector as a whole, the inventory-to-sales ratio at the end of June was near the high end of the range observed in recent years.

The nominal deficit on U.S. trade in goods and services widened slightly in May; for April and May combined, the deficit was significantly larger than in the first quarter. Exports of goods and services were about the same in May as in April, with increased shipments of machinery and industrial supplies offset by reduced exports of aircraft and gold. Imports of goods and services were slightly higher in May than in April. Most of the increase was in imports of oil, as a consequence of higher prices, and consumer goods. The economies of all the major foreign industrial countries continued to expand in the second quarter. Growth remained at a healthy pace in the United Kingdom and Canada and appeared to have firmed in continental Europe. In Japan, growth apparently slowed somewhat in the second quarter.

Trends in broad measures of prices and labor costs had shown no change thus far in 1994. In July, the overall index of consumer prices rose at the same pace as in June, despite larger monthly increases in the food and energy components of the index. The jump in energy prices reflected the effects of the earlier run-up in crude oil prices. For the twelve months ended in July, both the overall index and the index excluding food and energy rose by about the same amounts as during the preceding twelve-month period. At the producer level, prices of finished goods were up significantly in July after no change in June; large price increases were recorded for coffee and finished energy goods. Prices of finished goods other than food and energy were unchanged on balance over June and July and registered only a small rise over the twelve months ended in July. At an earlier stage of processing, producer prices of intermediate materials posted another sizable gain in July. These prices had increased at a faster rate thus far this year than in 1993, mirroring a similar pattern in prices of nonfood, non-energy crude materials. The employment cost index for private industry workers rose more rapidly in the second quarter after a sharp slowing in the first quarter, with the acceleration in compensation largely reflecting a pickup in wage and salary growth. The increase in total compensation over the last four quarters was little changed from the advance over the previous four-quarter period.

At its meeting on July 5–6, 1994, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions but that included a bias toward the possible firming of reserve conditions during the intermeeting period. The directive stated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint would be acceptable or slightly lesser reserve restraint might be acceptable during the intermeeting period. The reserve conditions associated with this directive were expected to be consistent with modest growth in M2 and M3 over coming months.

Open market operations during the intermeeting period were directed toward maintaining the existing degree of pressure on reserve positions. Adjustment plus seasonal borrowing rose over the period in accommodation of the usual summer pickup in demands for seasonal credit and averaged near anticipated levels. The federal funds rate remained close to 4¼ percent.

Other market interest rates were unchanged to up slightly on balance over the intermeeting period. Rates generally edged lower during the early part of the period as incoming data were viewed by market participants as being consistent with continued moderation in final demands and a reduced need for any further monetary tightening actions. In early August, however, interest rates began to erase their previous declines, partly in response to the strong employment report, which generated expectations that monetary policy might need to be tightened substantially in the near term. Most major indexes of equity prices were up on balance over the intermeeting period, with second-quarter corporate profits generally better than had been expected.

The trade-weighted value of the dollar in terms of the other G-10 currencies declined early in the intermeeting period but later recouped its losses and ended the period unchanged on balance. The fluctuations in the dollar partly reflected evolving perceptions of the degree to which U.S. authorities were concerned about further weakness in the currency. Over the intermeeting period, the dollar depreciated slightly against the mark but edged higher against the yen.

Both M2 and M3 expanded in July after declining on average over May and June. The growth of M2 in July owed in part to a sizable increase in liquid deposits, but in light of a resumption of run-offs at bond mutual funds it also may have reflected a renewed preference by households for the protection of principal provided by money market mutual funds. The strength in M2 showed through to M3, which also was boosted by funds garnered from wholesale sources to finance a surge in bank credit. For the year through July, M2 and M3 grew at rates slightly above the bottom of their ranges for 1994. Total domestic nonfinancial debt continued to expand at a moderate pace.

The staff forecast prepared for this meeting suggested that the economy was operating close to its long-run capacity and that growth would trend lower over the next several quarters to a rate generally in line with the increase in its potential. Under these circumstances, trends in the core rate of inflation would not deviate significantly from recent experience, but there was a risk that such an outcome might require further monetary policy tightening. Growth in consumer spending was projected to slow in response to smaller gains in employment and income, some reductions in pent-up demands, and the adverse effects on household financial wealth of earlier increases in interest rates and declines in stock market prices. Business fixed investment, while remaining relatively brisk, was expected to decelerate somewhat over the forecast horizon, primarily owing to smaller projected gains in sales, a growing shortfall of corporate cash flow relative to capital outlays, and higher financing costs. Single-family housing construction would continue to be damped by the higher mortgage rates; however, the pace of homebuilding was expected to remain relatively robust compared with the rate of recent years, reflecting still unsatisfied demand for home ownership and the relatively favorable cash-flow affordability of housing, as judged by the standards of the past two decades. The restraint on economic activity exerted by weak export demand was projected to diminish as economic conditions improved abroad, given the competitiveness of U.S. produced goods.

In the Committee's discussion of current and prospective economic developments, members commented that final aggregate demand appeared to have slowed somewhat in recent months but that the expansion still seemed to have considerable underlying momentum. Indeed, available data on the various components of spending taken together might in fact be understating the growth in economic activity; the strength of labor markets and measures of gross domestic income suggested a somewhat stronger economic performance. Sustained expansion, perhaps at a pace broadly in line with or a bit above the economy's long-run growth potential, remained a reasonable expectation, but many members observed that they saw the risks as being on the upside of such a projection in the absence of some further policy tightening. Views varied to some degree with regard to available margins of unemployed resources, but the members agreed that the economy probably was operating very close to, and in the view of some might have reached, its long-run potential. In these circumstances, the members saw appreciable risks of intensifying pressures on resources and higher inflation. Broad measures of wages and prices suggested little change in inflation trends in recent quarters, but worrisome signs of greater inflation were evident in the prices of materials purchased by business firms and in anecdotal reports of successful efforts by an increasing number of businesses to pass on rising costs by raising prices.

In their comments on business conditions in different parts of the nation, members reported continuing expansion ranging from modest to solid growth in most regions, however, the rise in business activity appeared to have slowed in some areas and business conditions had remained essentially unchanged in a number of others, notably in California. In the course of their review, members pointed to the general strength in labor markets as evidenced, for example, by statistical indications of large and persisting gains in employment and relatively low initial claims for unemployment compensation. These data for the national economy were reinforced by reports of sizable employment increases in numerous industries and parts of the country and associated indications of growing labor shortages in a number of areas and some occupations.

The financial climate remained supportive of sustained economic growth. It was clear that the rise in interest rates since the start of the year had had some restraining effects on interest-sensitive expenditures, notably housing and perhaps to a lesser extent some consumer durables, but to date these effects had not been large. Moreover, surveys and anecdotal reports suggested that banking institutions were becoming increasingly aggressive in their efforts to foster loan growth by easing many terms and standards for lending. In financial markets more generally, risk spreads had remained relatively narrow and both debt and equity markets appeared to be well positioned to provide ample financing for further economic expansion.

In their review of developments in key sectors of the economy, members saw widespread evidence of a well established expansion. Some signs of moderation from the rapid advance in recent quarters had emerged, including statistical and anecdotal indications of somewhat slower growth of consumer spending. Members noted, however, that an apparently significant portion of the recent weakness in sales of motor vehicles appeared to be related to supply shortages that were in the process of being corrected. Consumer confidence remained at a high level and likely reflected, among other factors, the strength in job markets in many parts of the country. Nonetheless, more moderate consumer spending was a reasonable expectation in the context of a low saving rate, increased consumer debt levels, and higher interest rates. One member commented that some pause in the expansion of overall consumer spending would not be unusual after several quarters of robust growth, and another remarked that the rise in household expenditures had been larger than the increase in household cash incomes by an appreciable margin over the past year.

Further marked expansion in business fixed investment was likely to make a sizable contribution to continuing economic growth. Ongoing strength in orders, including foreign demand, pointed to rapid further growth in expenditures for business equipment over coming months. Some moderation in the growth of such spending appeared likely later in the context of projected slower expansion in sales and the rise in financing costs. The outlook for nonresidential construction, while not ebullient, nonetheless seemed likely to become a more positive factor in fostering further economic growth. Demand for commercial real estate space, including office space, had begun to improve in many areas. Against this background and given the apparent availability of financing for soundly based projects, nonresidential construction activity, while displaying considerable local variation, appeared to be on a moderate uptrend for the nation as a whole.

Prospective developments in foreign trade also were expected to have a positive effect on the expansion of the domestic economy and indeed to offset some of the anticipated slowing in the overall growth of domestic demand. Economic conditions abroad were improving faster than had been anticipated, and this development along with the decline in the foreign exchange value of the dollar was projected to stimulate faster growth in exports while curbing that of imports over the next several quarters.

Members focused on recent inventory developments, which in the context of some moderation in the growth of final demand had accounted for a considerable portion of the overall expansion in GDP reported for the second quarter. While the rate of inventory accumulation could be expected to slow in the current quarter, the extent of that slowing and its retarding effects on near-term economic growth were uncertain. Partly on the basis of anecdotal reports, the members concluded that much of the inventory buildup in the second quarter was voluntary, thereby reducing the probability of a sharp reversal. Indeed, to the degree that delivery lead times might edge up in various industries as capacity constraints were encountered, stronger efforts to build inventories could emerge, especially against the background of currently low inventory-to-sales ratios. Some business contacts reported that they were planning to add to their inventories over the months ahead. At the same time, ongoing business efforts to maintain relatively lean inventories undoubtedly would tend to limit any broad buildup in inventories.

With regard to the outlook for residential construction, members reported some slowing in single-family housing demand in many parts of the country as homebuyers reacted to the rise in mortgage interest rates. However, single-family homebuilding activity was being maintained at relatively robust levels in some areas and multifamily housing construction was improving in numerous local markets. On balance, the housing sector probably would contribute little, if any, impetus to the expansion but homebuilding was likely to remain well above its earlier depressed levels.

In their assessment of the outlook for inflation, many members focused on the prospects for further growth in output in the context of diminishing margins of unemployed production resources. It was difficult to assess the extent of remaining margins of available resources, in part because of uncertainty about the effects on capacity of ongoing efforts to improve productivity through business restructurings and sharp increases in business investment expenditures. Despite somewhat differing views, the members generally concluded that the economy probably was operating at a level that was quite close to, if not already at, its long-run potential. In the circumstances, many of the members commented that the risks of intensifying inflation clearly were on the upside if the economic expansion did not moderate from its pace in recent quarters. Indications of accelerating cost and price pressures were not yet visible in broad measures of inflation and wages. Those measures, while subject to fluctuations largely associated with swings in food and energy prices, had not displayed any discernible trend over the past several quarters. At the same time, signs of increasing prices and costs at earlier stages of production appeared to be multiplying, including sizable price increases for a wide range of industrial commodities. More generally, members cited a growing number of reports by business firms of rising input costs and of more successful efforts by some firms to raise prices. It also was noted that the decline in the value of the dollar would contribute, directly and indirectly, to some upward pressures on prices. However, business contacts, notably at the retail level, indicated that competition remained intense and made it very difficult to pass on cost increases through higher prices, thereby placing a premium on continued efforts to contain costs through improvements in productivity. From a differing perspective, one member noted that decelerating growth in money measures such as M1, the monetary base, and reserves—which had been expanding rapidly for several years—implied that monetary policy had been moved substantially to curtail any increase in inflation pressures, though more action might still be required.

In the Committee's discussion of policy for the intermeeting period ahead, the members agreed that a prompt further tightening move was needed to provide greater assurance that inflationary pressures in the economy would remain subdued. The members recognized that the Committee's earlier policy actions were exerting some restraining effects and that further lagged effects from those actions could be expected. Even so, the underlying strength in demand and narrow margins of slack in the economy pointed to a considerable risk of further inflation pressures in the absence of additional policy tightening.

With regard to the size of the policy adjustment, the members were apprised of a disposition on the part of the Board of Governors to approve the ½-percentage-point increase in the discount rate that was pending at several Federal Reserve Banks. The Committee members endorsed a proposal to allow the effects of such a rise in the discount rate, should it be approved, to be reflected fully in reserve markets. Consideration was given to a lesser adjustment in reserve conditions, but the members concluded that a smaller step was unlikely to be adequate, and on perceiving this, financial markets would quickly build in further monetary tightening, the unknown size and timing of which would add to market uncertainty and volatility. A more decisive policy move might reduce the need for further tightening later, or possibly even avert that need entirely, by moderating or arresting the inflationary momentum in the economy more promptly and by helping to curb inflationary expectations more effectively.

In considering possible adjustments to policy during the period before the next meeting, all the members favored moving to a symmetric intermeeting instruction. Such a directive would be consistent with the members' expectations that a further policy action was not likely to be needed for some time, given the substantial nature of today's policy move. However, a symmetrical directive would not rule out the possibility of a policy move in the event that intermeeting developments differed substantially from expectations.

At the conclusion of the Committee's policy discussion, all the members indicated they could support a directive that called for increasing somewhat the degree of pressure on reserve positions, taking account of a possible increase in the discount rate, and that did not include a presumption about possible adjustments to policy during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that slightly greater or slightly lesser reserve restraint would be acceptable during the intermeeting period. According to a staff analysis, the reserve conditions contemplated at this meeting would be consistent with modest growth in M2 and M3 over coming months.

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

The information reviewed at this meeting suggests that the pace of economic expansion, though still substantial, may have moderated somewhat recently, while resource utilization has remained at high levels. Nonfarm payroll employment continued to advance at a robust pace in July, but the civilian unemployment rate edged up to 6.1 percent—about the same as the average for the second quarter. Industrial production rose appreciably over June and July. Growth in consumer spending has slowed in recent months, owing in part to constraints on the supply of motor vehicles. Housing starts rose in July. Orders for nondefense capital goods point to a continued strong expansion in spending on business equipment; permits for nonresidential construction have been rising as well. Business inventories registered a large increase in the second quarter, but inventories appeared to have remained broadly in line with sales. The average nominal deficit on U.S. trade in goods and services was larger in April and May than the average for the first quarter. Increases in broad indexes of consumer and producer prices have remained moderate in recent months, apart from the effect of short-run swings in volatile food and energy components.

Most market interest rates are unchanged to up slightly on balance since the July meeting. The trade-weighted value of the dollar in terms of the other G-10 currencies was unchanged on balance over the intermeeting period.

M2 and M3 turned up in July following declines on average in both aggregates over May and June; for the year through July, M2 and M3 grew at rates slightly above the bottom of their ranges for 1994. Total domestic nonfinancial debt has continued to expand at a moderate rate in recent months.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in July reaffirmed the ranges it had established in February for growth of M2 and M3 of 1 to 5 percent and 0 to 4 percent respectively, measured from the fourth quarter of 1993 to the fourth quarter of 1994. The Committee anticipated that developments contributing to unusual velocity increases could persist during the year and that money growth within these ranges would be consistent with its broad policy objectives. The monitoring range for growth of total domestic nonfinancial debt was maintained at 4 to 8 percent for the year. For 1995, the Committee agreed on tentative ranges for monetary growth, measured from the fourth quarter of 1994 to the fourth quarter of 1995, of 1 to 5 percent for M2 and 0 to 4 percent for M3. The Committee provisionally set the associated monitoring range for growth of domestic nonfinancial debt at 3 to 7 percent for 1995. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to increase somewhat the existing degree of pressure on reserve positions, taking account of a possible increase in the discount rate. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint or slightly lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with modest growth in M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Blinder, Broaddus, Forrestal, Jordan, Kelley, LaWare, Lindsey, and Parry and Mses. Phillips and Yellen. Votes against this action: None.

It was agreed that the next meeting of the Committee would be held on Tuesday, September 27, 1994.

The meeting adjourned at 12:30 p.m.

Donald L. Kohn
Secretary

Legal Developments

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

Boatmen's Bancshares, Inc.
St. Louis, Missouri

Order Approving Acquisition of a Bank Holding Company

Boatmen's Bancshares, Inc., St. Louis, Missouri ("Boatmen's"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Dalhart Bancshares, Inc., Dalhart, Texas ("Dalhart"), and thereby indirectly acquire Citizens State Bank of Dalhart, Dalhart, Texas ("Bank").[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 36,765 (1994)). 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.

Douglas Amendment Analysis

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank outside the bank holding company's home state unless the acquisition is "specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication."[2] For purposes of the Douglas Amendment, Boatmen's home state is Missouri.

The Board previously has determined that the interstate banking statutes of Texas permit out-of-state bank holding companies to acquire established banking organizations in Texas.[3] Based on all the facts of record, the Board has determined that its approval of this proposal is not prohibited by the Douglas Amendment. Approval of this proposal is conditioned upon Boatmen's receiving all required state regulatory approvals.

Competitive Consideration

Boatmen's with total deposits of $18.6 billion, controls depository institutions in nine states. In Texas, Boatmen's is the 13th largest commercial banking organization, controlling deposits of $1.1 billion, representing less than 1 percent of total deposits in commercial banking organizations in the state.[4] Dalhart is the 152d largest commercial banking organization in Texas, controlling deposits of $119.9 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Boatmen's would continue to rank as the 13th largest commercial banking organization in Texas, controlling $1.2 billion in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state.

Boatmen's and Dalhart compete directly in the Amarillo, Texas, banking market.[5] Boatmen's is the largest of ten depository institutions in the market, with deposits of $624.1 million, representing 35.5 percent of total deposits in depository institutions in the market ("market deposits").[6] Dalhart is the ninth largest

1. Boatmen's proposes to acquire both Dalhart and Dalhart's wholly owned subsidiary, Dalhart Bancshares of Delaware, Inc., Wilmington, Delaware ("Dalhart Delaware"), which owns approximately 93 percent of the voting shares of Bank. Boatmen's will merge both Dalhart and Dalhart Delaware into Boatmen's wholly owned subsidiary, Boatmen's Texas, Inc., St. Louis, Missouri.

2. 12 U.S.C. § 1842(d). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

3. *Boatmen's Bancshares, Inc.*, 79 *Federal Reserve Bulletin* 1179 (1993). Under Texas law, each bank to be acquired must have been in existence for at least five years, and the proposed transaction must not result in the acquiring organization controlling more than 25 percent of total deposits held by depository institutions in Texas. Tex. Rev. Civ. Stat. Ann. Art. 342-916 (West 1992). Bank has been in existence for more than five years, and upon consummation of this proposal, Boatmen's would control less than 1 percent of total deposits in depository institutions in Texas.

4. State deposit data are as of March 31, 1994.

5. The Amarillo, Texas, banking market is approximated by the Amarillo Metropolitan Statistical Area, which consists of Potter and Randall Counties, Texas.

6. In this context, depository institutions include banks, savings banks, and savings associations. Market deposit data are as of June 30, 1993, and are based on calculations in which deposits of thrift institutions are included at 50 percent. The Board previously has

depository institution in the market, controlling deposits of $20.1 million, representing 1.1 percent of total deposits in depository institutions in the market. Upon consummation of this proposal, Boatmen's would control $644.3 million in deposits, representing 36.7 percent of total deposits in depository institutions in the market. The Herfindahl–Hirschman Index ("HHI") would increase by 81 points to 2637.[7]

A number of factors in this case indicate that the increase in the concentration level of the Amarillo market tends to overstate the competitive effects of this proposal. For example, nine competitors, including two large multistate bank holding companies would remain in the market after consummation of this proposal. In addition, the Amarillo market also has attracted two *de novo* entrants in the past five years, indicating that the market is attractive for entry. After considering the number of competitors remaining in the market, the relatively small increase in concentration as measured by the HHI, and all other facts of record, the Board concludes that consummation of the proposal would not result in a significantly adverse effect on competition or concentration of banking resources in the Amarillo banking market or any other relevant banking market.

The Board also concludes that the financial and managerial resources and future prospects of Boatmen's, Dalhart, and their respective subsidiaries, and other supervisory factors the Board must consider under section 3(c) of the BHC Act, are consistent with approval of this application. Considerations relating to convenience and needs of the community to be served also are consistent with approval.

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

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

By order of the Board of Governors, effective September 28, 1994.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, LaWare, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

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

FCFT, Inc., Princeton, West Virginia

Order Approving Acquisition of Shares of a Bank Holding Company

FCFT, Inc., Princeton, West Virginia ("FCFT"), has applied under section 3(a)(3) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(3)) to acquire up to 19 percent of the voting shares of Hinton Financial Corporation ("Hinton"), and thereby indirectly acquire up to 19 percent of the voting shares of Hinton's bank subsidiary, The First National Bank of Hinton ("First National"), both of Hinton, West Virginia.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 32,962 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

FCFT, with total consolidated assets of $690.2 million, is the seventh largest banking or thrift organization ("depository institution") in West Virginia,[2] controlling approximately $572.3 million in deposits, representing 3.2 percent of the total deposits in depository institutions in the state.[3] FCFT controls three bank subsidiaries and one savings association subsid-

1. FCFT currently owns approximately 4.78 percent of the voting shares of Hinton, and intends to purchase up to 19 percent of Hinton's voting shares.

2. In this context, depository institutions include commercial banks, savings banks, and savings associations.

3. Asset data are as of March 31, 1994, and state deposit data are as of December 31, 1993.

iary located in West Virginia. Hinton, with total consolidated assets of $65.8 million, is the 54th largest depository institution in West Virginia, controlling $56.6 million in deposits, representing less than 1 percent of the total deposits in depository institutions in the state.

FCFT and Hinton do not compete directly in any banking market. Accordingly, consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

The Board has carefully reviewed comments from special counsel to Hinton ("Protestant"), objecting to FCFT's acquisition of a minority interest in Hinton. Protestant alleges that FCFT's acquisition of 19 percent of Hinton's voting stock would adversely affect Hinton's ability to affiliate with another financial institution and, thus, impair Hinton's ability to raise capital and improve services to its community.[4] Protestant alleges that FCFT eventually intends to acquire control of Hinton and would discourage potential competing acquirors.[5] FCFT maintains that its investment in Hinton is completely passive, and that it will not exercise or attempt to exercise a controlling influence over the management or policies of Hinton or First National.

The Board previously has approved the acquisition by a bank holding company of less than a controlling interest in a bank, noting that "nothing in section 3(c) of the [BHC] Act requires denial of an application solely because a bank holding company proposes to acquire less than a controlling interest in a bank or bank holding company."[6] The Board also has noted that the requirement in section 3(a)(3) of the BHC Act that the Board's prior approval be obtained before a bank holding company acquires more than 5 percent of the voting shares of a bank suggests that Congress contemplated the acquisition by bank holding companies of between 5 percent and 25 percent of the voting shares of banks. For these reasons, the Board concludes that the purchase by FCFT of less than a controlling interest in Hinton is not a factor that, by itself, justifies denial of this application.

As part of this proposal, FCFT has made a number of commitments to address concerns relating to the effect that its acquisition of shares of Hinton would have on the management and operation of Hinton. In particular, FCFT has committed that it will not, without the Board's prior approval:

1. Exercise or attempt to exercise a controlling influence over the management or policies of Hinton or its bank subsidiary;
2. Have or seek to have any employees or representatives serve as an officer, agent, or employee of Hinton or its bank subsidiary;
3. Seek or accept representation on the board of directors of Hinton or its bank subsidiary;
4. Take any action causing Hinton or its bank subsidiary to become a subsidiary of FCFT;
5. Acquire or retain shares of Hinton that would cause the combined interests of FCFT and its affiliates, officers, and directors to equal or exceed 25 percent of the outstanding voting shares of Hinton;
6. Propose a director or a slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of Hinton or its bank subsidiary;
7. Attempt to influence the dividend policies or practices of Hinton or its bank subsidiary;
8. Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Hinton;
9. Attempt to influence the loan and credit decisions or policies of Hinton or its subsidiary bank, the pricing of services, any personnel decision, the location of any offices, branching, the hours of operation, or similar activities of Hinton or its bank subsidiary;
10. Dispose or threaten to dispose of shares of Hinton in any manner as a condition of specific action or nonaction by Hinton or its bank subsidiary; and

4. Protestant also alleges that FCFT improperly filed its application before Hinton became a bank holding company. Hinton, however, became a bank holding company before the date that FCFT's application was accepted for processing by the Federal Reserve System. Accordingly, this comment does not warrant a denial of the application.

5. Protestant alleges that FCFT's rights as a dissenting shareholder under Delaware law could prevent a common and beneficial type of purchase by a potential acquiror. Protestant asserts that the most attractive type of acquisition for Hinton would be a stock-for-stock exchange, under which Hinton shareholders would receive stock of the acquiror in exchange for their shares, and that such transactions generally are structured for accounting purposes as a "pooling of interests." Under Delaware law, FCFT could elect to receive fair market value for its Hinton shares in lieu of a stock-for-stock exchange proposal by a potential acquiror ("shareholder dissenter's rights"). *See* Del. Code Ann. tit. 8, § 262 (1974 & Supp. 1992). Protestant alleges that any such election by FCFT, with shareholdings in excess of 10 percent, would preclude "pooling of interests" accounting treatment for a stock exchange proposal because this accounting treatment is not available if more than 10 percent of the acquiree's shares are purchased for cash. *See* Accounting Principles Board Opinion No. 16, ¶47(b). The Board notes that the "pooling of interests" accounting treatment of an acquisition of Hinton also would not be available if one or more other Hinton shareholders with shareholdings aggregating more than 10 percent exercised their shareholder dissenter's rights.

6. *See United Counties Bancorporation*, 75 *Federal Reserve Bulletin* 714 (1989); *Midlantic Banks, Inc.*, 70 *Federal Reserve Bulletin* 776, 776–77 (1984).

11. Enter into any banking or nonbanking transactions with Hinton or its bank subsidiary, except that FCFT and/or its subsidiaries may establish and maintain deposit accounts with Hinton's bank subsidiary; provided that the aggregate balance of all such deposit accounts does not exceed $100,000, and provided that the accounts are maintained on substantially the same terms as those prevailing for comparable accounts of persons unaffiliated with Hinton.

Based on the facts of record and FCFT's commitments, the Board concludes that FCFT would not acquire control or the ability to exercise a controlling influence over the management or policies of Hinton or impair its ability to raise capital upon consummation of this proposal.[7] On this basis, the Board does not believe that the proposed ownership of up to 19 percent of the shares of Hinton by FCFT would impede Hinton's ability to improve services to its community. The Board notes that numerous other bank holding companies with minority investors have succesfully raised capital to meet business needs, and there is no evidence in the record, other than the assertion of Protestant, that would support a finding in this case that Hinton would be unable as a result of the proposed investment to raise capital as needed. Based on these and other facts of record, including Protestant's comments, the Board concludes that the financial and managerial resources and future prospects of FCFT and Hinton, and all other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval of this proposal.

Convenience and Needs Considerations

Section 3 of the BHC Act also requires the Board, in every case involving the acquisition by a bank holding company of a bank or bank holding company, to consider the effects of the proposal on the convenience and needs of the communities to be served. The Board has long held that this analysis includes a review of the performance under the Community Reinvestment Act (12 U.S.C. § 2109 *et seq.*) ("CRA"). The CRA requires federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operations of such institution," and to take this record into account in its evaluation of bank holding company applications.[8]

In connection with this application, Protestant has asserted that FCFT's record of performance under the CRA is unsatisfactory, as demonstrated by the "needs to improve" rating that FCFT's savings association subsidiary, First Federal Savings Bank, Bluefield, West Virginia ("First Federal"), received in its evaluation under the CRA as of April 1993 by its primary regulator, the Office of Thrift Supervision ("OTS").

The Board has carefully reviewed the CRA performance of FCFT and Hinton, and their subsidiary depository institutions, in light of the CRA, the Board's regulations, the jointly issued Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement"), and Protestant's comments. The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in determining whether convenience and needs factors are consistent with approval of an expansionary proposal.

Initially, the Board notes that First Federal improved its CRA performance since the 1993 examination. First Federal took steps to address the deficiencies noted in the 1993 examination, and to improve its CRA performance generally. These steps included the appointment of a compliance officer and the development of new CRA programs in response to the credit needs of its community, including a significantly increased involvement in West Virginia and Virginia housing development funds and participation in other state-sponsored home ownership programs targeted to persons of low- or moderate-income. As a result of these and other actions, the OTS upgraded First Federal's rating to "satisfactory" at its most recent examination for CRA performance as of April 11, 1994 (the "April 1994 examination"). In the April 1994 examination, the OTS found that the geographic distribution of First Federal's credit extensions demonstrated a reasonable penetration of all segments of its delineated community. The Board notes that the April 1994 examination did not find any evidence of illegal discrimination or illegal credit practices. Examiners also found no evidence of any practices or procedures that would discourage applications for credit from any segment of First Federal's delineated community.

7. FCFT would not be able to acquire control of Hinton in the future or sell its interest in Hinton to another bank holding company without prior Board approval, and the Board would at that time re-examine the effects of the proposal under the factors set forth in section 3(c) of the BHC Act after providing an opportunity for public comment.

8. 12 U.S.C. § 2903.

The record does not show that the issues raised by examiners in the 1993 examination of First Federal indicate chronic institutional deficiencies or a pattern of CRA deficiencies at other FCFT depository institutions. FCFT's other three depository institutions each received at least a "satisfactory" rating from their primary federal supervisors in their most recent CRA performance examinations, including FCFT's lead bank, First Community Bank, Inc., Princeton, West Virginia ("First Community").[9]

For the foregoing reasons, and based on all facts of record in this case, the Board concludes that the convenience and needs considerations, including the CRA performance records of FCFT and its subsidiary depository institutions and those of Hinton and its bank subsidiary, are consistent with approval of this application.

Conclusion

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved.[10] The Board's approval is expressly conditioned on compliance with all the commitments made by FCFT in connection with this application, including the commitments discussed in this order. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction 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 the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 13, 1994.

Voting for this action: Vice Chairman Blinder and Governors Kelley, Lindsey, Phillips, and Yellen. Absent and not voting: Chairman Greenspan and Governor LaWare.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

9. The following bank subsidiaries of FCFT all received a "satisfactory" rating at their most recent examinations for CRA performance: First Community (Board—January 24, 1994); The Flat Top National Bank of Bluefield, Bluefield, West Virginia (Office of the Comptroller of the Currency ("OCC")—July 11, 1994); and Peoples Bank of Bluewell, Bluewell, West Virginia (Federal Deposit Insurance Corporation—January 19, 1994). The Board also notes that First National received a "satisfactory" rating by the OCC at its most recent examination for CRA performance as of April 19, 1993.

10. Protestant has requested that the Board hold a public hearing on this application. The Board is not required under section 3(b) of the BHC Act to hold a hearing on an application unless the appropriate banking authority for the bank to be acquired makes a timely recommendation of denial of the application. In this case, the OCC has not recommended denial of the proposal.

Generally, under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered this request. In the Board's view, Protestant has had sufficient opportunity to present written submissions, and has, in fact, submitted written comments that have been considered by the Board. On the basis of all the facts of record, the Board has determined that a public hearing is not necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, the request for a public hearing on this application is hereby denied.

Firstar Corporation
Milwaukee, Wisconsin

Firstar Corporation of Wisconsin
Milwaukee, Wisconsin

Order Approving the Acquisition of a Bank Holding Company

Firstar Corporation and Firstar Corporation of Wisconsin, both of Milwaukee, Wisconsin (collectively, "Firstar"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire by merger First Southeast Banking Corp., Lake Geneva, Wisconsin ("First Southeast"), and thereby indirectly acquire First Southeast's banking subsidiaries, First Bank Southeast, N.A., Milwaukee, Wisconsin ("First Bank Southeast"), and First Bank Southeast of Lake Geneva, N.A., Lake Geneva, Wisconsin ("First Bank Lake Geneva").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 23,717 (1994)). 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.

Firstar, with total consolidated assets of $13.9 billion, controls 34 subsidiary banks in Wisconsin, Iowa, Illinois, Minnesota, and Arizona. Upon consummation of the proposal, Firstar would remain the second largest commercial banking organization in Wisconsin, controlling $7 billion in deposits, representing 16.7 percent of the total deposits in commercial banking organizations in the state.[1]

1. Asset data are as of March 31, 1994. All deposit data are as of June 30, 1993.

Competitive Considerations

Firstar and First Southeast compete directly in the Milwaukee, Kenosha-Racine, and Walworth banking markets, all in Wisconsin.[2] Upon consummation of this proposal, all these markets would remain moderately concentrated as measured by the Herfindahl-Hirschman Index ("HHI")[3] based on market deposit calculations in which the deposits of thrift institutions are included at 50 percent.[4] In light of all the facts of record, including the number of depository institutions (commercial banks, savings banks and savings associations) that would remain in these markets, and the relatively small increases in market share and market concentration as measured by the HHI,[5] the Board believes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.[6]

Convenience and Needs Considerations

In acting upon an application to acquire a depository institution under the BHC Act, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank holding company applications.[7]

The Board has received comments opposing the proposal from the United Paperworkers International Union ("Protestant"). Protestant alleges that data submitted by Firstar under the Home Mortgage Disclosure Act ("HMDA") (12 U.S.C. § 2801 *et seq.*) show that Firstar discriminates in its housing-related lending against minority applicants in the City of Milwaukee, particularly African-American and Hispanic borrowers residing in low-income and deteriorating areas in the central city that have been designated as "target areas" by the Milwaukee Comptroller's office.[8]

Record of Performance Under the CRA

In its consideration of the convenience and needs factor under the BHC Act, the Board has carefully

2. The Milwaukee banking market consists of Milwaukee, Ozaukee, and Waukesha Counties; Polk, Jackson, Richfield, and Germantown townships in Washington County; Waterford, Norway, and Raymond townships in Racine County; East Troy township in Walworth County; and Ixonia township in Jefferson County. The Kenosha-Racine banking market consists of Kenosha County, except Wheatland and Randall townships; and Caledonia, Mount Pleasant, Yorkville, Dover, and Rochester townships in Racine County. The Walworth banking market consists of Walworth County, except East Troy township; Wheatland and Randall townships in Kenosha County; and Burl township in Racine County.

3. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,824 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anti-competitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anti-competitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

4. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* (1984).

5. In the Milwaukee banking market, Firstar would remain the largest depository institution, controlling 23 percent of the total deposits in depository institutions in the market ("market deposits"), and the HHI would increase by five points to 1212. In the Kenosha-Racine banking market, Firstar would become the third largest depository institution, controlling 17 percent of market deposits, and the HHI would increase by 112 points to 1637. In the Walworth banking market, Firstar would become the largest depository institution, controlling 23 percent of market deposits, and the HHI would increase by 252 points to 1101.

6. The Board has carefully reviewed several comments maintaining that this proposal would have an anticompetitive effect by eliminating the last major independent bank in the Walworth and Kenosha-Racine banking markets. The Board notes that a significant number of competitors, including several independent institutions, would remain in the two relevant banking markets following consummation of this proposal. In the Walworth banking market, seventeen depository institutions would remain, including two independent community banks with 11.3 percent and 9.9 percent, respectively, of market deposits and six other independent depository institutions with 5 percent or more of market deposits. Sixteen depository institutions would remain in the Kenosha-Racine banking market, including one independent community bank with 21.2 percent of market deposits. Based on the presence of these competitors and for the reasons discussed above, the Board believes that the competitive considerations in this proposal are consistent with approval and that these comments do not warrant denial of the application.

7. 12 U.S.C. § 2903.

8. Specifically, Protestant maintains that Firstar affiliates: have higher residential loan denial rates for neighborhoods in the central city of Milwaukee than for all other neighborhoods in metropolitan Milwaukee; reject applications from minority loan applicants more frequently than they reject applications from white applicants; and reject mortgage applications for properties in predominantly minority neighborhoods at significantly higher rates than for properties in predominantly white neighborhoods. Protestant also alleges that Firstar affiliates discriminate against residents of low- and moderate-income neighborhoods in Racine, and that First Southeast has a superior record of housing-related lending in Racine.

The Board also has received comments from several individuals opposing this proposal on the basis of Firstar's record of making housing-related loans to minorities in Milwaukee and in the central city of Milwaukee.

reviewed the CRA performance record of Firstar and its respective subsidiary banks, as well as all comments received regarding these applications, Firstar's responses to these comments, and all other relevant facts of record in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[9]

The Board also has carefully considered the comments and information provided by the Office of the Comptroller of the Currency ("OCC"), the primary regulator of Firstar Bank Milwaukee, N.A., Milwaukee, Wisconsin ("Firstar Milwaukee"), Firstar's lead subsidiary bank and the primary focus of Protestant's comments. The OCC has reviewed this proposal in light of Protestant's comments and all its examination and other supervisory information relating to the CRA performance of Firstar Milwaukee and the other national bank subsidiaries of Firstar. Based on this review, the OCC has concluded that there is no reason to oppose this transaction.

A. Evaluations of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process.[10] In this case, the Board notes that Firstar Milwaukee received a "satisfactory" rating from the OCC at its most recent examination for CRA performance as of July 5, 1993, and that Firstar Bank Racine, Racine, Wisconsin ("Firstar Racine"), received an "outstanding" rating from its primary regulator, the Federal Deposit Insurance Corporation ("FDIC"), at its most recent examination for CRA performance as of May 27, 1992. In addition, all remaining 32 subsidiary banks of Firstar have received either "outstanding" or "satisfactory" ratings from their primary regulators in their most recent examinations for CRA performance. First Bank Southeast received a "satisfactory" rating from the OCC at its most recent examination for CRA performance as of November 15, 1993, and First Bank Lake Geneva received a "satisfactory" rating from the OCC at its most recent examination for CRA performance as of May 21, 1991.

B. HMDA Data

The Board has carefully reviewed Protestant's allegations regarding the record of Firstar Milwaukee and Firstar's mortgage lending subsidiary, Firstar Home Mortgage Corporation, Milwaukee, Wisconsin ("Firstar Mortgage"), in lending to minorities, particularly African Americans and Hispanics in the central city of Milwaukee, in light of 1992 and 1993 HMDA data. These data show some disparities in denial rates for African American and Hispanic applicants compared to white applicants, and in the denial rates for applicants from the target area compared to applicants from the rest of the Milwaukee MSA. However, the HMDA data also indicate that Firstar's housing-related lending to African American and Hispanic borrowers and in low- and moderate-income neighborhoods is comparable to or exceeds the performance of lenders in the aggregate in the Milwaukee area. For example, Firstar approved a higher percentage of loan applications from African Americans and Hispanics than did lenders in the aggregate both in the target area and in the Milwaukee MSA as a whole, and its denial rates for these groups were generally lower than the denial rates of lenders in the aggregate.[11]

The Board is concerned when an institution's record indicates disparities in lending to minority applicants and in low- and moderate-income neighborhoods and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also assure equal access to credit by creditworthy applicants regardless of race or residential area. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community and have limitations that make the data an inadequate basis, absent other information, for conclusively determining whether an institution has engaged in illegal discrimination in making lending decisions.

The most recent OCC examination of Firstar Milwaukee found no evidence of illegal discrimination against minorities or low- and moderate-income borrowers. Examiners also found no evidence of any practices or procedures that would discourage applications for available credit from any geographical segment of its delineated community. Moreover, these

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

10. *Id.* at 13,745 (1989).

11. Protestant also criticizes Firstar's performance in the target area by comparing the percentage of housing-related loans originated in 1992 by Firstar Milwaukee (14 percent) with the percentage of such loans originated by First Bank Southeast (21 percent). The record indicates, however, that Firstar Milwaukee and Firstar Mortgage originated 128 housing-related loans in the target area during 1992, while First Southeast originated 16 such loans. The relative percentages of loans made by Firstar and First Southeast in the target area are not directly comparable because of a significant difference in the size of the institutions and the communities they serve. First Bank Southeast has a single branch in the Milwaukee banking market, with $11 million in deposits, located in the target area, while Firstar Milwaukee serves nearly the entire Milwaukee MSA.

examinations indicate generally that the geographic distribution of Firstar Milwaukee's credit extensions, applications, and denials reflect reasonable penetration in all segments of its delineated community, including low- and moderate-income neighborhoods.[12]

The OCC also conducted a fair lending examination of Firstar Mortgage as of June 30, 1993, and found no evidence of racial discrimination. In the examination, the OCC reviewed the loan files for all minority applicants denied loans and compared them to the files of white applicants provided loans. The OCC concluded that all these loans denials were appropriate and that minority and non-minority applicants received equivalent levels of assistance during the loan application process.[13]

C. Other Aspects of CRA Performance

The record in this case indicates that Firstar provides a substantial amount of housing-related loans throughout the Milwaukee MSA, including the target area. The Board notes that the Milwaukee Comptroller's 1993 review of lending practices ranked Firstar Milwaukee first among large lenders in the percentage of residential lending in the target area.[14] The Milwaukee Comptroller found that Firstar Milwaukee made 13.2 percent of its housing-related loans (excluding home refinancing loans) in the target area in 1991, and 14.3 percent of such loans in the target area in 1992, which was more than 50 percent higher than the percentage during each period for any other large lender as determined by the Milwaukee Comptroller. In 1992, Firstar made 452 conventional home mortgage loans in the Milwaukee MSA, including 76 loans totalling $3.1 million in low- and moderate-income census tracts and 19 loans totalling $523,000 in predominantly minority census tracts. In 1993, Firstar made 580 conventional home mortgage loans in the Milwaukee MSA, including 84 loans totalling $3.8 million in low- and moderate-income census tracts and 16 loans totalling $456,000 in predominantly minority census tracts. Firstar also made 145 home improvement loans totalling $1.3 million in low- and moderate-income census tracts in 1992 and 170 such loans totalling $1.6 million in 1993, and made 67 home improvement loans totalling $450,000 in predominantly minority census tracts in 1992 and 69 such loans totalling $656 thousand in 1993. In addition, Firstar Milwaukee participates in several governmentally guaranteed housing loan programs, including programs of the Wisconsin Housing and Economic Development Authority ("WHEDA"), the Wisconsin Department of Veterans Affairs, and the Farmers Home Loan Administration. In 1991, Firstar Milwaukee made 80 loans through these programs, totalling $4.2 million.

Firstar also has participated in every program offered by the City of Milwaukee to encourage home ownership in the target area. During 1990 and 1991, Firstar Milwaukee originated $5.3 million in loans under the city's Making Ownership a Reality program, including $700,000 in loans in lower-income neighborhoods, to finance the purchase and rehabilitation of housing by lower-income families. The bank also has participated in the city's Buy in Your Neighborhood program to help homeowners buy second homes as rental properties in their immediate neighborhoods and the Duplex as a Starter Home program to provide loans for the purchase of duplexes. In addition, Firstar Milwaukee served as joint managing underwriter in 1991 for $169 million of bonds issued by WHEDA to finance low-income housing in Milwaukee and elsewhere in Wisconsin, and has underwritten bond issues by the Milwaukee Housing Authority. Firstar Milwaukee also has developed supplemental products and programs. The bank offers a Your Way to a Home Loan, which features reduced down payment and debt-to-income requirements, reduced closing costs, alternative credit documentation, no private mortgage insurance requirement, and no application fee, a Rapid Equity Loan, which provides a standard first mortgage loan together with a short-term second mortgage loan, and a home purchase and rehabilitation loan that requires no repayment of principal during the first six months. Firstar Milwaukee also has committed to

12. The OCC has identified several loan transactions in which Firstar Milwaukee and two other Firstar subsidiary banks, Firstar Bank Des Moines, N.A., Des Moines, Iowa, and Firstar Bank Cedar Rapids, N.A., Cedar Rapids, Iowa ("Firstar Cedar Rapids"), have failed to comply with the Equal Credit Opportunity Act (15 U.S.C. § 1601 *et seq.*) and the Board's Regulation B (12 C.F.R. 202.1 *et seq.*). These transactions involved the treatment of the income of certain unmarried joint applicants for consumer loans. In addition, the OCC determined that Firstar Cedar Rapids improperly discounted the income of certain other applicants for consumer loans. No real estate related loans were affected. Firstar has implemented a number of steps to ensure that these violations do not occur in the future, including a revised consumer lending policy developed in consultation with the OCC, and extensive training sessions for all its lenders.

13. Protestant also alleges that Firstar Mortgage discriminates against residents of low- and moderate-income neighborhoods in Racine. The OCC included all denials of applications from minorities in Racine in its fair lending examination of Firstar Mortgage, and found no evidence of racial discrimination. In addition, the most recent CRA performance examination of Firstar Racine by its primary regulator, the FDIC, found no evidence of practices intended to discourage credit applications or violations of the substantive provisions of fair lending and fair housing laws. In this regard, the examination noted that all credit denials are reviewed by a senior officer to verify the appropriateness of the denial. In addition, examiners found that the bank's delineated community did not exclude any low- and moderate-income neighborhoods, and that its loans and financial services were distributed throughout the community.

14. The Milwaukee Comptroller separates lenders that originate more than $25 million in residential loans (excluding home refinancing loans) in one year from lenders that make a smaller dollar volume of such loans for purposes of comparing the concentration of their lending in the target area.

purchase $200,000 of home improvement and second mortgage loans from Neighborhood Housing Services, a non-profit agency promoting neighborhood revitalization.[15]

Firstar Milwaukee also has taken steps to improve the marketing of its special lending programs and to encourage more home ownership among low-income residents. In July 1993, Firstar Milwaukee integrated these programs into the Community Home Works Program, which it promotes through its network of 45 branches (including eight branches in low- and moderate-income census tracts, two branches contiguous to such census tracts, and five branches located in adjacent census tracts), a weekly radio call-in program on home ownership issues, bilingual loan counseling, and sponsorship of inner-city "Parade of Homes" events. From July 1993 through May 1994, Firstar Milwaukee received 91 applications under the program, closed 61 loans, and denied only four applications.

Firstar Milwaukee's community development corporation subsidiary, Firstar Community Investment Corporation, Milwaukee, Wisconsin ("FCIC"), also assists in meeting the housing needs of low- and moderate-income members of the community, particularly in the central city of Milwaukee. FCIC arranged financing, invested as a limited partner, planned and coordinated, and served as guarantor for the $9.2 million Johnson Square housing rehabilitation project, the largest such project in Wisconsin. Completed in 1992, this project renovated six dilapidated apartment buildings in order to create 179 low- and moderate-income apartments and to provide on-site day-care and Head Start facilities.[16] FCIC also served as developer for the $4.2 million renovation of a deteriorating former bank building to create 100 apartments for low-income residents, and is serving as developer and an equity investor in a $8.7 million project nearing completion to rehabilitate five apartment buildings in order to provide 50 units of low-income housing and social services on Milwaukee's Near West Side. In addition, FCIC has invested $400,000 in the Housing Equity Fund to develop new housing initiatives in Milwaukee and planned and coordinated the $16 million renovation of a vacant hospital in a low- to moderate-income area to provide business and medical office space to accommodate over 300 new jobs.

Conclusions Regarding Convenience and Needs Factors

In considering the overall CRA performance records of Firstar, its subsidiary banks, Firstar Mortgage, and First Southeast, the Board has carefully considered the entire record, including the public comments. The Board is concerned by the disparities in the HMDA data concerning the percentage of minority and target area applicants that Firstar denies as compared to non-minority and higher-income applicants. The Board notes, however, that the record, including CRA performance examinations, indicates that Firstar's housing-related lending to minority and low- and moderate-income borrowers is generally satisfactory. These examinations and the fair lending examination of Firstar Mortgage by the OCC found no evidence of illegal discrimination by Firstar in housing-related lending. The Board further notes the relatively large volume of lending by Firstar, as compared to its peers, in the target area and the programs Firstar Milwaukee has adopted to address the specific housing-related credit needs of low- and moderate-income borrowers and of residents of the central city of Milwaukee. The Board expects Firstar to continue to implement its CRA initiatives and to address the issues raised by the OCC in its most recent CRA performance examination of Firstar Milwaukee and other national banks. The Board will continue to monitor implementation by Firstar of the steps taken to address the matters discussed in this order, and will take this review into account in future applications by Firstar. Based on a review of the entire record of performance in this case, including Protestant's comments, Firstar's response to these comments, the relevant reports of examination, and the steps taken by Firstar to address the issues raised by the OCC, the Board has concluded that the efforts of Firstar to help meet the credit needs of all segments of the communities served by its subsidiary banks are consistent with approval of this application.[17]

15. Firstar Racine addresses the credit needs of low- and moderate-income borrowers in the Racine MSA by participating in the GE Capital Home Buyer's Program, which provides credit counseling and employs modified employment, debt-to-income, and credit history requirements, and in FHA, VA, and Wisconsin Housing and Economic Development Authority loan programs.

16. Firstar Milwaukee provided construction financing for the project. More than 50 percent of the construction contracts for the project were awarded to minority-owned firms, and nearly 10 percent of the construction contracts for the project were awarded to firms owned by women.

17. Protestant and the individual commenters have requested that the Board hold a public meeting or hearing on these applications. The Board is not required under section 3(b) of the BHC Act to hold a hearing on an application unless the appropriate banking authority for the bank to be acquired makes a timely written recommendation of denial of the application. As previously noted, the OCC has not recommended denial of this proposal.

Under the Board's rules, the Board may, at its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application, and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has

Other Considerations

The financial and managerial resources and future prospects of Firstar, First Southeast, and their respective banking subsidiaries, and other supervisory factors the Board must consider under section 3 of the BHC Act, also are consistent with approval.

Conclusion

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

This transaction shall not be consummated before the 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 by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 6, 1994.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, Lindsey, Phillips, and Yellen. Absent and not voting: Governor LaWare.

WILLIAM W. WILES
Secretary of the Board

Keweenaw Financial Corporation
Hancock, Michigan

Order Approving the Acquisition of a Bank

Keweenaw Financial Corporation, Hancock, Michigan ("Keweenaw"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Commercial National Bank of L'Anse, L'Anse, Michigan ("Bank").

carefully considered this request. In the Board's view, interested parties have had a sufficient opportunity to present written submissions, and Protestant has submitted substantial written comments that have been considered by the Board. On the basis of all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on these applications is hereby denied.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 31,996 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

Keweenaw, with total consolidated assets of approximately $112 million, controls one bank, Superior National Bank and Trust Company, Hancock, Michigan ("Superior National").[1] Keweenaw is the 54th largest commercial banking organization in Michigan, controlling $101.8 million in deposits, representing less than 1 percent of total deposits in commercial banks in the state.[2] Bank controls $41.1 million in deposits, representing less than 1 percent of total deposits in commercial banks in the state. Upon consummation of this proposal, Keweenaw would become the 36th largest commercial banking organization in Michigan, controlling $142.9 million in deposits, representing less than 1 percent of total deposits in commercial banks in the state.

Keweenaw and Bank compete directly in the Calumet, Michigan banking market ("Calumet banking market").[3] Keweenaw's subsidiary bank, Superior National, is the largest of seven depository institutions[4] that operate in the market, controlling deposits of $101.8 million, representing 25.8 percent of total deposits in depository institutions in the market ("market deposits").[5] Bank is the fifth largest depository institution in the Calumet banking market, controlling deposits of $40.4 million, representing 10.2 percent of market deposits. Upon consummation of this proposal, Superior National would remain the largest depository institution in the Calumet banking market, controlling deposits of $142.2 million, representing 36.1 percent of market deposits. The Herfindahl–Hirschman Index ("HHI") would increase by 371 points to 2220.[6]

1. Asset data are as of June 30, 1994.
2. State deposit data are as of March 31, 1994.
3. The Calumet banking market is approximated by Keweenaw, Houghton, and Baraga counties, all in Michigan.
4. When used in this context, the term "depository institution" includes commercial banks, savings banks, and savings associations. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).
5. Market deposit data are as of June 30, 1994.
6. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), a market in which the post-merger HHI exceeds 1800 is considered to be highly concentrated. In such markets, the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points. The Justice Department has informed the Board that a bank merger or acquisition

A number of factors in this case indicate that the increase in the concentration level of the Calumet banking market, as measured by the HHI, tends to overstate the competitive effects of this proposal. For example, upon consummation of this proposal, six competitors would remain in the market, including a large multistate bank holding company and the largest banking organization headquartered in Michigan's Upper Peninsula. Four of these competitors would have market shares of at least 14 percent, and all the institutions that compete in the market would have market shares of at least 7 percent. One of these organizations entered the Calumet banking market in 1994 through an acquisition, indicating that the market may be attractive to entry. In addition, the Calumet banking market has become less concentrated in recent years; the HHI has decreased more than 300 points since 1989. Moreover, there are numerous potential entrants to the Calumet banking market, since Michigan permits statewide branching and acquisitions by out-of-state bank holding companies on a nationwide reciprocal basis.[7] Finally, consummation of this proposal would not result in the loss of an independent competitor in the Calumet banking market since Bank is part of a two-bank chain banking organization that includes First National Bank of Calumet-Lake Linden, Calumet, Michigan, another depository institution that competes in the Calumet banking market. The Board also notes that the Department of Justice and Office of the Comptroller of the Currency have considered the potential anticompetitive impact of the proposal, and have not objected to the proposal. Based on the foregoing considerations, and all the other facts of record, the Board has concluded that consummation of this proposal would not result in a significantly adverse effect on competition or the concentration of banking resources in the Calumet banking market or any other relevant banking market.

The Board also has concluded that the financial and managerial resources and future prospects of Keweenaw and its subsidiaries and Bank, and all other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval of this application. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

generally will not be challenged (in the absence of other factors indicating anti-competitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anti-competitive effects implicitly recognizes the competitive effects of limited-purpose lenders and other non-depository financial entities.

7. MICH. STAT. ANN. §§ 23.710(130b) and 23.710(171).

Based on the foregoing and all the other facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval of this proposal is expressly conditioned upon compliance with all the commitments made by Keweenaw in connection with this application, and with the conditions in this order. For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction 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 Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 12, 1994.

Voting for this action: Vice Chairman Blinder and Governors Kelley, Lindsey, Phillips, and Yellen. Absent and not voting: Chairman Greenspan and Governor LaWare.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Midwest Bancshares, Inc.
Poplar Bluff, Missouri

Order Approving Acquisition of a Bank Holding Company

Midwest Bancshares, Inc., Poplar Bluff, Missouri ("Midwest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of First Southern Missouri Bancshares, Inc., Poplar Bluff, Missouri ("First Southern"), and thereby indirectly acquire Carter County State Bank, Van Buren, Missouri ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 30,003 (1994)). 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.

Midwest is the 51st largest commercial banking organization in Missouri, controlling three subsidiary banks with total deposits of $97.2 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[1] First Southern, a one-bank holding company, is the 277th largest commercial banking organization in the state, controlling total deposits of $16.9 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Midwest would become the 45th largest commercial banking organization in the state, controlling total deposits of $114.1 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Midwest and First Southern do not compete directly in any banking market. Accordingly, consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

The Board also concludes that financial and managerial resources and future prospects of Midwest, First Southern, and their respective subsidiary banks, and the other supervisory factors that the Board must consider under section 3 of the BHC Act, are consistent with approval of this proposal.[2] Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

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

The acquisition of First Southern 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 St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 6, 1994.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, Lindsey, Phillips, and Yellen. Absent and not voting: Governor LaWare.

WILLIAM W. WILES
Secretary of the Board

1. All banking data are as of June 30, 1993.

2. The Board has carefully considered comments received from a minority shareholder of Bank ("Protestant") who maintains that the principal shareholder is paid excessive compensation as president and chairman of the bank holding companies and Bank. Protestant also believes that the provision of data processing and consulting services to Bank and Midwest by two companies owned by the principal shareholder, and the acquisition of all the shares of a bank holding company by a bank holding company controlled by the target's owner, raise supervisory concerns. The Board notes that the principal shareholder's compensation was reduced in 1993 as a result of a consultant's study. In addition, federal law requires that the purchase of services from an affiliate must be on a fair market basis. These comments have been reviewed in light of information contained in reports of examinations conducted by the primary federal regulators of Bank and the bank holding companies. As part of the examination process, the examiners consider the fees paid to affiliated providers of services and compensation. Based on all the facts of record, the Board concludes that these comments do not warrant denial of the application.

Omnibanc Corporation
River Rouge, Michigan

Order Approving Acquisition of a Bank Holding Company

Omnibanc Corporation, River Rouge, Michigan ("Omnibanc"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Indecorp, Inc., Chicago, Illinois ("Indecorp"), and thereby indirectly acquire Indecorp's subsidiary banks, Independence Bank of Chicago ("Independence Bank"), and Drexel National Bank, both of Chicago, Illinois.[1]

Notice of the application, affording interested persons an opportunity to submit comments has been published (58 *Federal Register* 67,411 (1993)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

Omnibanc is the 144th largest commercial banking organization in Michigan, controlling one banking subsidiary with $15.9 million in deposits, representing less than 1 percent of the total deposits in commercial banking organizations in the state.[2] Indecorp is the 79th largest commercial banking organization in Illinois, controlling two subsidiary banks with $227.4 million in deposits, representing less than 1 percent of the total deposits in commercial banking organizations in Illinois. Upon consummation of this proposal, Omnibanc would become the 79th largest commercial banking organization in Illinois.

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an applica-

1. Omnibanc proposes to merge its wholly owned subsidiary, Omnibanc Illinois, Inc., into Indecorp. Upon consummation of this proposal, the surviving entity would operate as a second tier bank holding company under the name, Indecorp, Inc. Drexel National Bank is owned by Drexel Holding Company, Chicago, Illinois, a wholly owned subsidiary of Indecorp. Drexel Holding Company would be liquidated upon consummation of this proposal.

2. Banking data are as of June 30, 1992.

tion by a bank holding company to acquire control of any bank located outside its home state, unless such acquisition is "specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication."[3] For purposes of the Douglas Amendment, the home state of Omnibanc is Michigan and the home state of Indecorp is Illinois.

The interstate banking statutes of Illinois permit out-of-state bank holding companies to acquire Illinois banking organizations if the laws of the state where the acquiring company is located permit acquisitions by an Illinois bank holding company under conditions substantially similar to those imposed by Illinois.[4] Michigan's interstate banking statute authorizes the acquisition of Michigan banking organizations by out-of-state bank holding companies located within a defined region, which includes Illinois, on a reciprocal basis if the laws of the state where the acquiring bank holding company is located would not impose unduly restrictive conditions on an acquisition by a Michigan bank holding company.[5] The Illinois and Michigan banking supervisors have indicated that their reciprocity requirements have been met.[6] In light of the foregoing, the Board has determined that its approval of this proposal is not prohibited by the Douglas Amendment. Approval of this proposal is conditioned on Omnibanc obtaining all required state approvals.

Omnibanc and Indecorp do not compete directly in any relevant banking market. Therefore, based on all the facts of record, the Board concludes that Omnibanc's acquisition of Indecorp and its subsidiary banks would not result in any significantly adverse effects on the concentration of banking resources or on competition in any relevant banking market.

The Board received a number of comments supporting this proposal from individuals, community-based groups and public officials, who believe that Omnibanc's plan to strengthen investment and economic development would benefit the community, particularly in view of Omnibanc's record of performance in the banking industry. The Board also has received comments from individuals ("Protestants") contending that the financial and managerial resources of Omnibanc are inadequate to acquire a substantially larger banking organization like Indecorp. Protestants also assert that managerial considerations relating to the chief executive officer and principal shareholder of Omnibanc ("Principal") are inconsistent with approval. The Board has carefully reviewed these comments in light of all the facts of record in assessing the statutory factors in this case.

Omnibanc has provided detailed financial projections and strategic plans for addressing potential issues associated with acquiring a larger organization. The Board notes that the acquisition is substantially financed with equity and that, upon consummation of the proposal, Omnibanc's consolidated capital ratios would exceed the thresholds for well-capitalized institutions. In addition, Omnibanc's strategic plan contains detailed operational and managerial steps that would be taken to integrate and manage the combined entity.

The Board also has carefully considered comments on the competence, experience and integrity of Principal that allege improper actions by Principal, primarily during the early 1980's, when he was involved in two cable television ventures. The Board notes that proceedings by the Disciplinary Commission of the Ohio state bar ("Disciplinary Commission") against Principal, who is licensed to practice law in Ohio, are pending.[7]

The Board has considered the information provided by Protestants regarding these matters, and the explanations and information provided by Principal, as well as the record of financial and managerial performance of Omnibanc's management as disclosed in reports of examination by federal and state regulators. The Board has reviewed this information in light of a number of additional factors, including Principal's record of involvement with Omnibanc's bank subsidiary, OmniBank, since 1989 and the fact that the allegations raised by Protestants are currently the subject of review by the Disciplinary Commission. The Board notes that Principal has had a satisfactory record of managerial performance in banking since 1989 when he acquired OmniBank, and has provided substantial equity capital to improve the financial condition of Omnibanc's subsidiary bank. Principal maintains that none of the actions under review by the Disciplinary Commission or raised by Protestants involve wrongdoing on his part. Nevertheless, Principal has committed that he will not serve as an officer or director of Indecorp's subsidiary banks while the Disciplinary Commission proceedings are pending,

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3. 12 U.S.C. § 1842(d). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

4. S.H.A. 205 ILCS 10/3.071 (West 1994).

5. MSA § 23.710 (1606) (1994 Supp.).

6. The Board also has considered this transaction as if Indecorp, with a home state of Illinois, were acquiring Omnibanc. As noted above, the relevant banking statutes of Illinois would permit the acquisition of an Illinois bank holding company by a Michigan banking organization.

7. The Disciplinary Commission publicly reprimanded Principal in 1982 for altering the date on an auditor's opinion letter filed in connection with the payment of a franchise tax by his cable company to the city of Columbus, Ohio.

and that he will resign his positions with Omnibanc upon the request of the Board if the proceedings result in a significantly adverse finding against him.

Based on all the facts of record, including information provided by the commenters, Omnibanc, and the Disciplinary Commission, relevant reports of examination, and Principal's commitments in this case, the Board believes that considerations relating to the managerial resources are consistent with approval.[8] In addition, based on the facts of record, including the matters discussed above, and commitments made by Omnibanc and Principal, the Board believes that considerations relating to the financial resources, future prospects of the institutions involved, the convenience and needs of the community[9] and other supervisory considerations are also consistent with approval.[10] Thus, the Board does not believe that Protestants' comments warrant a denial of this application.

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

This transaction 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 Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 14, 1994.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, Lindsey, Phillips, and Yellen. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

8. Another commenter contends that Omnibanc is required to file a tender offer with the U.S. Securities and Exchange Commission ("SEC") under section 14(d) of the Securities Exchange Act of 1934 (the "1934 Act"). Section 14(d) regulates tender offers, which are offers made directly to the shareholders of the target company, for any class of security registered under section 12 of the 1934 Act. No filing is required in this case because Omnibanc is not making an offer to the shareholders of Indecorp and neither company has securities registered under the 1934 Act. SEC staff has informally concurred in this conclusion.

9. Indecorp's subsidiary bank, Independence Bank, received a "needs to improve" rating for performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") at its most recent examination by the Federal Deposit Insurance Corporation, its primary federal regulator. The Board notes that Omnibanc's subsidiary bank received "satisfactory" CRA performance ratings at its most recent examination and that Omnibanc has committed to implement a number of programs designed to increase the lending and marketing activities at Independence Bank after consummation of the proposal.

Protestants maintain that Omnibanc would not fulfill CRA-related commitments because they believe that Principal failed to fulfill commitments made to community groups about the operation of his Seattle cable company. As discussed later in this order, fulfillment of Omnibanc's commitments is a condition imposed by this order, and as such may be enforced under applicable law.

10. The Board also has considered a request by Protestants challenging the integrity of Omnibanc's Principal, for a public hearing or meeting in connection with this application. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, neither the Michigan Financial Institutions Bureau, nor the Illinois Commissioner of Banks and Trust Companies, has recommended denial of the proposal.

Generally, under its rules, the Board may, in its discretion hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). In the Board's view, all interested parties have had ample opportunity to submit their views, and substantive written submissions have been received. Based on all the facts of record, including the commitments made by Omnibanc and Principal in this case, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this application, or otherwise warranted in this case, and the request for a public hearing or meeting on this application is denied.

Orders Issued Under Section 4 of the Bank Holding Company Act

Barnett Banks, Inc. Jacksonville, Florida

Order Approving an Application to Acquire a Mortgage Company

Barnett Banks, Inc. ("Barnett"), and its subsidiary Barnett Mortgage Company, both of Jacksonville, Florida, have applied for the Board's approval under section 4(c)(8) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire Loan America Financial Corporation, Miami Lakes, Florida ("Loan America"), and its wholly owned subsidiaries.[1] Loan America engages in making, acquiring, and servicing loans.[2]

1. Loan America operates four wholly owned subsidiaries. Citizens Management Corporation, CMC Mortgage Corporation (USA), and CMC Mortgage Corporation (USA), Inc. (collectively, "Companies"), are California, Georgia, and Texas corporations, respectively, formed for the exclusive purpose of serving as nominal holders of deeds of trust, as required by the laws of their incorporating states. CMC Mortgage Corporation (USA) is the California parent company of Citizens Management Corporation.

2. Loan America is a mortgage banking firm that originates residential mortgage loans through independent mortgage brokers and other

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 25,659 (1994)). The time for filing comments has expired, and the Board has considered the application and all the facts of record in light of the factors set forth in section 4(c)(8) of the BHC Act. No public comments were received on this proposal.

Barnett, with consolidated assets of $38.3 billion, is the 21st largest banking organization in the United States.[3] Barnett operates 31 banking subsidiaries in Florida and Georgia, and engages through other subsidiaries in various permissible nonbanking activities. Barnett is the largest retail mortgage originator in Florida, originating $3.5 billion in residential mortgage loans in 1993, representing approximately 7.5 percent of total residential mortgages originated in Florida. Barnett also services a mortgage loan portfolio of $13.1 billion. Loan America, with total assets of $299 million, originated $3.4 billion in residential mortgage loans in 1993, and services a mortgage loan portfolio of $4.1 billion.[4] Loan America is the 61st largest residential mortgage banking firm in the country, with mortgages originated in Florida representing less than 3 percent of total mortgages it purchased in 1993.[5] Upon consummation of this proposal, Barnett would become the 29th largest mortgage servicer in the United States, servicing a residential mortgage portfolio of approximately $17.2 billion.

The Board previously has determined that making, acquiring, and servicing loans, including mortgage loans, are activities that are closely related to banking within the meaning of section 4 of the BHC Act.[6] Barnett has committed to conduct these activities in accordance with the Board's regulations.

In order to approve Barnett's acquisition of Loan America under section 4(c)(8) of the BHC Act, the Board also must find that the performance of the proposed activities by Barnett "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8). The proposed acquisition of Loan America will allow Barnett to take advantage of economies of scale, provide Barnett with access to Loan America's enhanced loan production and servicing technology, and provide added convenience to Barnett's mortgage customers. The Board also notes that the acquisition of Loan America by Barnett is not likely to have a significantly adverse effect on the provision or availability of mortgage lending or other services in any relevant market because there are numerous providers of these services and Loan America and Barnett focus their activities on different parts of the country. There is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unfair banking practices that are not outweighed by the public benefits of the proposal.

In reviewing this proposal, the Board notes that the Department of Justice ("DOJ") has initiated an inquiry into the mortgage lending practices of several subsidiary banks of Barnett under the federal fair lending statutes. There has been no finding or adjudication of any violation of law by Barnett or any of its subsidiaries. Barnett has indicated that it believes that the lending activities of all of its subsidiary banks fully comply with all federal fair lending laws, and has submitted to the Board extensive information about the lending efforts and programs at its banks and a statistical analysis of the lending efforts of two of its banks. The DOJ has indicated that it is not able at this time to provide the Board with the information it has compiled in its inquiry.

The Board has an obligation under the BHC Act to act on applications submitted under that Act in light of specified statutory factors. The Board must consider each application on the basis of the record before it and its findings must be supported by substantial evidence. In addition, the BHC Act and the Board's regulations require the Board to act on applications submitted under section 4(c)(8) of the BHC Act within specified time periods.

The Board has considered the information available to it about this application, including submissions by Barnett, examination reports and findings, and other information. On the basis of that record, the Board concludes that this proposal satisfies the criteria specified by statute to be applied by the Board in reviewing proposed acquisitions of this type and that the record does not provide a basis to deny this application under the statutory factors. The Board notes that this proposal represents the acquisition of a nonbanking company and that Board action on this proposal will not hinder the DOJ in its inquiry. The Board will monitor the DOJ inquiry and retains broad authority to take

originators in major housing markets across the country. Upon consummation of this proposal, Loan America would operate as a separate subsidiary of Barnett Mortgage Company.

3. Asset data for Barnett and mortgage data for both Barnett and Loan America are as of December 31, 1993.

4. Asset data for Loan America are as of March 31, 1994.

5. Loan America conducts its home mortgage business in 36 states, with 70 percent of its 1993 business located in California, New Jersey, Illinois, and New York. In contrast, Barnett originates mortgage loans only in Florida and Georgia.

6. *See* 12 C.F.R. 225.25(b)(1).

appropriate supervisory action, including action on future applications, if warranted.

Based on the record available to the Board at this time, including commitments made by Barnett in connection with this application, and for the reasons discussed in this order, the Board has determined that the balance of public interest factors that it is required to consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of this application. Accordingly, the application is hereby approved. The Board's approval is specifically conditioned on compliance by Barnett with all the commitments made in connection with this application. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y (12 C.F.R. 225.7 and 225.23(b)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. For the purpose of this action, the commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective September 21, 1994.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, Lindsey, Phillips, and Yellen. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

The Daiwa Bank, Limited
Osaka, Japan

Order Approving an Application to Engage in Securities Brokerage Activities and to Act as "Riskless Principal"

The Daiwa Bank, Limited, Osaka, Japan ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to engage through its indirect subsidiary, Cosmo Securities (America) Inc., New York, New York ("Company"), in securities brokerage activities pursuant to section 225.25(b)(15) of Regulation Y (12 C.F.R. 225.25(b)(15)), and in buying and selling securities on the order of investors as "riskless principal."

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 15,730 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets equivalent to approximately $178.2 billion, is the 20th largest banking organization in the world.[1] Applicant operates branches, agencies, representative offices and loan production offices in several cities in the United States, and owns Daiwa Bank Trust Company, a state-chartered trust company in New York. The Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers, Inc. ("NASD").[2] Accordingly, Company is subject to the record-keeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

The Board previously has determined by regulation that engaging in securities brokerage services is closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act.[3] Applicant has committed that Company will conduct these activities in accordance with the limitations imposed by section 225.25(b)(15) of Regulation Y.

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security from a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[4] "Riskless principal" transactions are understood in the industry to include only transactions in the secondary market. Thus, Applicant proposes that Company would not act as a "riskless principal" in selling securities at the order of a customer that is the issuer

1. Asset data are as of March 31, 1994.
2. Company currently engages in securities brokerage activities. Applicant received temporary authority to acquire a controlling interest in Company under section 4(c)(9) of the BHC Act.
3. *See* 12 C.F.R. 225.25(b)(15).
4. *See* Securities and Exchange Commission Rule 10b-10. 17 C.F.R. 240.10b-10(a)(8)(i).

of the securities to be sold, or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a "riskless principal" in any transaction involving a security for which it makes a market.

The Board previously has determined by order that, subject to prudential limitations that address the potential for conflicts of interests, unsound banking practices, and other adverse effects, the proposed riskless principal activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[5] The Board also previously has determined that purchasing and selling securities on the order of investors as a "riskless principal" does not constitute underwriting and dealing in securities for purposes of section 20 of the Glass–Steagall Act (12 U.S.C. § 377), and that revenue derived from this activity is not subject to the 10 percent revenue limitation on underwriting and dealing in bank-ineligible securities.[6] In order to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, Applicant has committed that Company will conduct its "riskless principal" activities using the same methods and procedures, and subject to the same prudential limitations, as those established by the Board in the *Bankers Trust Order* and the *J.P. Morgan Order*, as modified to reflect Applicant's status as a foreign bank.[7]

In order to approve this application, the Board also is required to determine that the performance of the proposed activities by Applicant can reasonably be expected to produce benefits to the public that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.[8]

Under the framework established in this and prior Board decisions, consummation of this proposal is not likely to result in any significantly adverse effects, such as an undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Moreover, the Board has determined that performance of the proposed activities by Applicant can reasonably be expected to produce public benefits, such as added convenience to Applicant's customers, that would outweigh any adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of Applicant and its subsidiaries and the effect of the transaction on these resources.[9] In this case, the Board notes that Applicant meets the relevant risk-based capital standards consistent with the Basle Accord, and has capital equivalent to that which would be required of a United States banking organization. In view of these and other facts of record, the Board has determined that the financial factors are consistent with approval of this application. The managerial resources of Applicant and its subsidiaries also are consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined to, and hereby does, approve this application subject to all the terms and conditions set forth in this order, and in the Board regulations and orders noted above. The Board's determination also is subject to all the terms and conditions set forth in its Regulation Y, including those in sections 225.7 and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act, and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in this application, including the commitments discussed in this order and the conditions set forth in the Board orders noted above. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and, as

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

6. *Id.*

7. *See The Sumitomo Bank, Limited*, 77 *Federal Reserve Bulletin* 339 (1991); *Creditanstalt-Bankverein*, 77 *Federal Reserve Bulletin* 183 (1991); *The Royal Bank of Scotland Group PLC*, 76 *Federal Reserve Bulletin* 866 (1990). As detailed more fully in these orders, in addition to the commitments imposed by the Board in connection with underwriting and dealing in securities, Applicant has made a number of commitments regarding the conduct of the "riskless principal" activities. In particular, Applicant has committed that Company will maintain specific records that will clearly identify all "riskless principal" transactions, and that Company will not engage in "riskless principal" transactions for any securities carried in its inventory. When acting as a "riskless principal," Company will engage only in transactions in the secondary market, and will not act at the order of a customer that is the issuer of the securities to be sold; will not act as "riskless principal" in any transaction involving a security for which it makes a market; nor hold itself out as making a market in the securities that it buys and sells as a "riskless principal." Moreover, Company will not engage in "riskless principal" transactions on behalf of any foreign affiliates that engage in securities dealing activities outside the United States, and will not act as "riskless principal" for registered investment company securities. In addition, Company will not act as a "riskless principal" with respect to any securities of investment companies that are advised by Applicant or any of its affiliates.

8. 12 U.S.C. § 1843(c)(8).

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

such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective September 27, 1994.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, Lindsey, Phillips, and Yellen. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

First Interstate Bancorp
Los Angeles, California

First Interstate Bank of California
Los Angeles, California

Order Approving Applications to Acquire and Merge a Savings Association Into a Subsidiary Bank

First Interstate Bancorp, Los Angeles, California ("First Interstate"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire Sacramento Savings Bank, Sacramento, California ("Savings Bank"), and Central Valley Security Company, both wholly owned subsidiaries of Allegheny Financial, Inc., New York, New York. First Interstate's subsidiary bank, First Interstate Bank of California, Los Angeles, California ("FICAL"), a state member bank, has applied under section 18(c) of the Federal Deposit Insurance Act (the "FDI Act") (12 U.S.C. § 1828(c) ("Bank Merger Act") to acquire Savings Bank.

First Interstate also has applied under section 5(d)(3) of the FDI Act (12 U.S.C. § 1815(d)(3)), as amended by the Federal Deposit Insurance Corporation Improvement Act of 1991, Pub. L. No. 102–242, § 501, 105 Stat. 2236, 2388 (1991), to acquire Savings Bank,[1] and FICAL has applied to establish branches at the present locations of Savings Bank pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*)[2]

Section 5(d)(3) of the FDI Act requires the Board to review any proposed merger between a Savings Association Insurance Fund member and any Bank Insurance Fund ("BIF") member, if the acquiring or resulting institution is a BIF-insured subsidiary of a bank holding company. In reviewing these proposals, the Board is required to follow the procedures and consider the factors set forth in section 18(c) of the FDI Act, the Bank Merger Act (12 U.S.C. § 1828(c)).[3]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 32,432 (1994)). As required by the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)), reports on the competitive effects of the mergers were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation. 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 section 4(c)(8) of the BHC Act, the Bank Merger Act, section 5(d)(3) of the FDI Act, and section 9 of the Federal Reserve Act.

The Board has determined by regulation that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act, if the savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4(c)(8) of the BHC Act.[4] First Interstate has committed to conform all activities of Savings Bank to the requirements of section 4(c)(8) of the BHC Act and Regulation Y.

First Interstate, with total consolidated assets of $53.5 billion, controls 14 banks in Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Texas, Washington, Wyoming, and Utah.[5] First Interstate is the fifth largest depository institution in California, with FICAL controlling $19.9 billion in deposits, representing approximately 5.1 percent of the total deposits in depository institutions in the state.[6] Savings Bank is the 22d largest

1. Section 5(d)(3) of the FDI Act requires the Board to review any proposed merger between a bank owned by a bank holding company and a savings association, or branch of a savings association, in which the resulting institution is insured by the Bank Insurance Fund, and in reviewing these proposals, to follow the procedures and consider the factors set forth in section 18(c) of the Bank Merger Act.

2. A list of these branches is set forth in the Appendix.

3. 12 U.S.C. § 1815(d)(3)(E). These factors include considerations relating to competition, the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the communities to be served. 12 U.S.C. § 1828(c).

4. *See* 12 C.F.R. 225.25(b)(9).

5. Asset data are as of March 31, 1994.

6. State and market deposit data are as of June 30, 1993. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data before consum-

depository institution in California, controlling $2.8 billion in deposits, representing less than 1 percent of the total deposits in depository institutions in the state. Upon consummation of this proposal, First Interstate would remain the fifth largest depository organization in the state, controlling deposits of $22.7 billion, representing approximately 5.8 percent of the total deposits in depository institutions in California.

First Interstate and Savings Bank compete directly in ten banking markets in California.[7] After consummation of this proposal, numerous competitors would remain in each market and the increase in market concentration, as measured by the Herfindahl–Hirschman Index ("HHI"), would not exceed the Department of Justice merger guidelines.[8] Based on all the facts of record, the Board concludes that consummation of this proposal would not result in significantly adverse effects on competition or the concentration of banking resources in these or any other relevant banking markets.

Convenience and Needs Considerations

In acting on applications to acquire a depository institution, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institutions," and to take that record into account in its evaluation of these applications.[9]

The Board has reviewed comments submitted by several organizations and individuals ("Protestants") alleging that First Interstate's lead bank, FICAL, has failed to meet the credit needs of minority and low- to moderate-income persons in the Sacramento metropolitan statistical area ("Sacramento MSA").[10] In particular, Protestants contend that data filed by the bank under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") indicate disparities in the rates of housing-related loan approvals and denials between minority and nonminority applicants and in the geographic distribution of credit-related products. In addition, Protestants indicate that the Sacramento community has not benefitted from FICAL's lending initiative to provide $2 billion in special funding over a ten-year period to low- to moderate-income communities. Protestants assert that FICAL has an inadequate branch location/closure policy and insufficient community and economic development and outreach and marketing programs to serve the minority community in the Sacramento MSA. Moreover, Protestants express concern that the proposed transaction may result in the elimination of branches and lending programs established by Savings Bank and loss of employment opportunities in Sacramento.[11]

In its consideration of the convenience and needs factor, the Board has carefully reviewed the entire CRA performance record of FICAL and Savings Bank, all comments received on these applications, including First Interstate's and Savings Bank's re-

mation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of Savings Bank would be transferred to a commercial bank under this proposal, those deposits are included at 100 percent in the calculation of First Union's *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Bank, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n. 9 (1990).

7. These markets are the Auburn, Chico, Grass Valley, Lodi, Placerville, Redding, Santa Rosa, Sacramento, Stockton, and Yuba City banking markets.

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

9. 12 U.S.C. § 2903.

10. The Protestants include the Mayor of Sacramento, Project FAITHE, Sacramento Black Chamber of Commerce, Sacramento Housing Alliance, and Sacramento Housing and Redevelopment Agency. An individual commenter has joined in these comments, and also alleges that FICAL does not make sufficient ascertainment and outreach efforts to the gay and lesbian community, and has engaged in deliberate, discriminatory actions against the gay and lesbian community in its credit practices and against downtown Sacramento residents through its administration of an automated teller machine ("ATM") site. The Board notes that FICAL closed the ATM at night and locked the parking lot in response to security concerns raised by the Sacramento Police Department. FICAL subsequently installed a new 24-hour ATM in a more secure location on the branch's premises.

11. FICAL expects that any staff reductions would be accomplished largely through attrition, and has in place programs to assist employees who are displaced as a result of this proposal.

sponse to these comments, and all other relevant facts of record, in light of the CRA, the Board's regulations and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[12]

A. Record of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the applications process.[13] The Board notes that FICAL received a "satisfactory" rating from the Federal Reserve Bank of San Francisco at the most recent examination of FICAL's CRA performance as of April 11, 1994 ("1994 examination") and that all of First Interstate's other subsidiary banks received "satisfactory" or "outstanding" CRA ratings at the most recent examinations of their CRA performance.[14] In addition, Savings Bank received a "satisfactory" rating from its primary regulator, the Office of Thrift Supervision, at its most recent examination as of March 10, 1993.

B. FICAL's HMDA Data

The Board has carefully reviewed the 1992 and 1993 data filed under the HMDA in light of Protestants' allegations of disparities in lending to low- to moderate-income and minority residents in the Sacramento MSA, which show some disparities in denial and origination rates in the Sacramento MSA.

Because all banks are obligated to adopt and implement lending practices that ensure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of race, the Board is concerned when the record of an institution indicates disparities in lending to applicants in low- to moderate-income and minority communities. The Board also recognizes that HMDA data have limitations that make the data an inadequate basis, absent other information, for conclusively determining whether an institution has engaged in illegal discrimination in making lending decisions.

The Board has carefully considered the results of FICAL's 1994 examination, which found that credit applications are generally solicited from all segments of the bank's delineated community, are in compliance with regulatory requirements, and do not contain language that would discourage applicants. The bank has developed a number of policies, procedures and training programs to prevent discrimination in its lending and credit activities. Examiners also noted that FICAL's record of generating applications and extending credit in low-income and minority communities continues to improve. The 1994 examination indicates that FICAL has taken extensive steps to identify discriminatory practices at the branch, residential, and consumer lending levels. These efforts include the use of consultants who were hired to conduct two separate "matched pair" tests at the branch level to evaluate mortgage-lending and other officers involved in home improvement financing; and a comprehensive fair lending review conducted by the bank's internal audit department to evaluate underwriting procedures and ensure that credit standards are applied consistently to all applicants. Moreover, FICAL has implemented a "second review" program for consumer, mortgage, and small business lending. Under the program, senior bank underwriters review all declined loan applications to ensure that the applicants were treated fairly and in accordance with law, and to determine if an alternative credit structure to the one requested can be offered to the applicant.[15]

C. FICAL's Lending Practices

1. Statewide

FICAL offers numerous loan products to assist in meeting the ascertained credit needs of the bank's community, including low- and moderate-income

12. 54 *Federal Register* 13,742 (1989).

13. *Id.* at 13,745.

14. FICAL's subsidiary bank, First Interstate Bank of Englewood, Englewood, Colorado, received an "outstanding" rating for its CRA performance from the OCC as of January 1991, and twelve subsidiary banks of FICAL each received "satisfactory" ratings for CRA performance from the OCC: First Interstate Bank of Alaska, Anchorage, Alaska (October 1992); First Interstate Bank of Arizona, Phoenix, Arizona (May 1992); First Interstate Bank of Denver, Denver, Colorado (January 1991); First Interstate Bank of Idaho, Boise, Idaho (August 1993); First Interstate Bank of Montana, Kalispell, Montana (October 1992); First Interstate Bank of Nevada, Las Vegas, Nevada (November 1992); First Interstate Bank of New Mexico, Santa Fe, New Mexico (November 1993); First Interstate Bank of Oregon, Portland, Oregon (April 1992); First Interstate Bank of Texas, Houston, Texas (June 1993); First Interstate Bank of Utah, Salt Lake City, Utah (October 1993); First Interstate Bank of Washington, Seattle, Washington (August 1992); and First Interstate Bank of Wyoming, Casper, Wyoming (October 1993).

15. Examiners also found violations of the Equal Credit Opportunity Act at the bank, mostly related to the bank's failure to provide notification of adverse actions to telephone loan applicants, or involving non-applicant signature requirements for otherwise creditworthy applicants at various bank departments. Management commenced corrective action during the examination and immediately thereafter to remedy these violations. Examiners also found a few apparent violations of law in other areas of the bank. FICAL and the Federal Reserve Bank of San Francisco are evaluating these apparent violations to determine what, if any, corrective action is appropriate. The bank's progress in addressing these matters will be closely monitored by the Reserve Bank.

neighborhoods. In 1992, the bank introduced the Community Investment Home Loan Program, which consists of three new mortgage products to make home ownership more affordable for low- and moderate-income borrowers who may not otherwise meet the bank's credit standards. The Community Investment Home Loan Program includes the Down Payment Assistance program which reduces the homebuyer's out-of-pocket down payment cost to 3 percent of the purchase price. FICAL lends the remaining 2 percent in the form of a second mortgage with below-market rates and interest-only payments for the life of the loan. In addition, the Home Buyers Assistance Program has a down payment requirement of 5 percent, with an option permitting the down payment to come from a gift or grant to the borrower. FICAL also has established a Community Advancement Program targeted at low-income or minority census tracts that has reduced down payment requirements of 5 percent for any qualified borrower purchasing a home in a low-income or predominantly minority area. In 1993, 84 loans, totalling $10.3 million, were made under these programs. In 1994, the bank has made 212 such loans, totalling $23.7 million.

The 1994 examination also indicates that FICAL's community development activities are outstanding. The bank's community development activities are conducted primarily through its Community Lending Department ("CLD"), which contains two separate units, Affordable Housing and Economic Development. FICAL's Affordable Housing Unit provides affordable housing construction loans primarily for the construction of residences targeted for low- and moderate-income households. The unit extended $56 million in 1992 and $82 million in 1993 in affordable housing loans. The Economic Development Unit administers FICAL's commercial loan pools and programs, and extends loans under the bank's Community Assistance Program ("CAP"), a loan program developed in 1993 to provide financial assistance for community social services, increased job opportunities, and housing in low-income and economically deprived neighborhoods. As of April 1994, loans totalling $2.3 million have been extended under the CAP program.

FICAL also participates in government-insured and publicly sponsored programs, including Federal Housing Administration mortgage loans, California guaranteed business loans, Small Business Administration ("SBA") loans, and federally insured and state guaranteed student loans.

2. Sacramento

In evaluating this proposal, the Board notes that FICAL's presence in Sacramento is relatively small, and that its lending activities in low- to moderate-income areas in Sacramento represent a somewhat greater proportion of its lending activities in the city. FICAL's assets in the Sacramento MSA represent approximately 3 percent of the bank's total assets. In 1993, however, the bank's lending activity in the Sacramento MSA represented approximately 7 percent of total assets in mortgage loans to low-income applicants or in low- and moderate-income areas, and 12 percent of total assets in construction loans for affordable housing to low-income individuals.

In 1993, FICAL originated approximately $7.1 million in mortgage loans to low-income applicants or low-to-moderate-income census tracts in the Sacramento MSA. Moreover, the bank originated 776 consumer loans to individuals in low- to moderate-income census tracts totalling $7.6 million in 1993. During the first half of 1994, 332 consumer loans were made in these census tracts totalling $7 million.

In 1993, FICAL extended five loans totalling $485,000 under the bank's three-pronged Community Investment Home Loan Program. This year, the bank has made four loans totalling $397,750 under this program. The Affordable Housing Unit made a loan of $10.5 million to construct a 241-unit low-income housing project for senior citizens in Sacramento. During the first half of 1994, FICAL also originated $697,500 in government-guaranteed business loans and $3.7 million in non-government guaranteed small business loans in the Sacramento MSA.

In connection with this proposal, FICAL has committed to take a variety of steps to increase the number of loans made to minority and low- to moderate-income areas in the Sacramento MSA. For example, First Interstate will hire a CRA loan officer for the Sacramento area. In addition, First Interstate will establish a Sacramento loan production office at a site accessible to low- and moderate-income applicants for home loans. The loan production office will have a bilingual loan officer solely responsible for originating CRA loans and will co-sponsor homebuyer workshop sessions with local community groups.

In response to Protestants' concerns, First Interstate will allocate a portion of its $2-billion/10-year statewide loan commitment to low- and moderate-income communities to the Sacramento MSA. To ensure that the Sacramento MSA is adequately represented in future allocations, FICAL plans to add a person from the Sacramento area to the Community Advisory Board, which was established to make community development loans from the $2-billion fund. In addition, FICAL will continue Savings Bank's role in the Northern California Reinvestment Consortium ("NCRC") and has committed to joining NCRC as a loan pool participant. First Interstate will pursue membership in the Federal Home Loan Bank's Affordable Housing Program, a program in which Savings Bank previously served as a lender.

D. FICAL's Ascertainment of Community Credit Needs

1. Statewide

The 1994 examination indicates that FICAL's ascertainment efforts are outstanding. The bank's employees have direct contacts with local government and community groups, as well as a "telephone call" program to identify the credit needs of the entire community, including low- and moderate-income neighborhoods. Information gathered through these contacts is documented in a "Community Reinvestment Act Questionnaire" completed periodically for each branch and used in devising techniques to target outreach efforts. These questionnaires are forwarded to the Community Development Department for compilation and distribution to the bank's CRA Task Force, which develops a comprehensive annual CRA Plan.[16] Branches also receive information from FICAL's California Marketing Department on the demographics of the branch's targeted market, recommended product usage, potential credit needs and market share information.

As a result of the most recent CRA Questionnaire, conducted in April 1993, FICAL now offers unsecured small business lines of credit, small business accounts receivable lines of credit, and a commercial real estate product with lower minimum loan sizes and newly acceptable forms of collateral; has hired additional Small Business Administration loan officers; has implemented a flexible Mobile Home Loan Policy to allow for older, wider homes to serve as collateral to purchase single-wide homes; offers secured consumer credit cards with credit lines as low as $500; and has created a flexible basic checking account with a low opening balance and no minimum balance requirement.

FICAL's Residential Mortgage Division identified the following characteristics of credit as obstacles to meeting the mortgage credit needs of the community: down payment requirements, underwriting criteria, lack of credit history, and rigid mortgage insurance guidelines. The bank's three-pronged Community Investment Home Loan Program was established to alleviate the down payment, underwriting and lack of credit history barriers. In addition, after FICAL determined that many low-income applicants were being denied credit because FICAL was unable to acquire mortgage insurance for the loans, FICAL approved a $50 million portfolio allocation for loans that met underwriting standards but for which mortgage insurance was not available. Moreover, a Community Advisory Board consisting of a six-member group of minority leaders was formed in 1993, as part of FICAL's $2-billion/10-year statewide CRA commitment.

2. Sacramento

FICAL has implemented these statewide outreach efforts in the Sacramento MSA. For instance, FICAL's branch managers and staff are required to ascertain the credit needs of their communities through customer and prospective customer contacts; calling efforts; involvement in community-based organizations; contacts with government officials, agencies or departments; and discussions with community leaders. In 1993, the Sacramento area averaged over 200 such calls per month. In addition, a representative from the Sacramento area will be added to the Community Advisory Board.

E. FICAL's Marketing Efforts

1. Statewide

The 1994 examination indicates that FICAL's overall marketing efforts are satisfactory. FICAL markets its products and services through the California Marketing Department ("CMD"), which is the primary marketing and advertising vehicle for statewide promotions; the Central Marketing Department; individual departments of the bank (First Interstate Residential Mortgage, Government Guaranteed Lending Unit, and the Community Development Department), which are responsible for product specific marketing relative to the credit products offered; and the branch network which acts as a support mechanism to the CMD for all product promotions.

Marketing efforts at the CMD consist primarily of direct mail campaigns. The CMD also uses various media sources, including radio stations such as Spanish language stations, that reach a diverse section of the community in all counties served by the bank. Examiners noted that FICAL's use of outdoor and transit media had increased since the previous examination period, and advertisements are generally included in African-American, Chinese, and Hispanic publications.

The CMD also compiles the branch Sales Resource Manual, which contains advertisements and solicita-

16. The 1994 examination indicates that FICAL's board of directors and senior management have supported efforts to improve the bank's CRA program and routinely attend CRA Task Force meetings. Examiners also noted that the board of directors are generally active in their respective communities in ways that enhance the bank's CRA program.

tions for most products and services offered by the bank. Approximately 25 to 35 new flyers are produced each year in both English and Spanish. Branches use these flyers in conjunction with mailing lists provided by the CMD.

All marketing activities for FICAL's mortgage loan products are conducted through the Residential Mortgage Division ("FIRM"). The major marketing device at FIRM is the Home Buyer Workshop. These workshops are held in conjunction with branches, community based organizations, and local churches to provide prospective applicants with information on the bank's mortgage loan products, especially those designed for low- and moderate-income consumers. Radio and community based newspapers as well as local realtors promote the workshops.

The bank's Community Development Department also is engaged in marketing activities, and has retained an advertising agency to promote FICAL's F.I.R.S.T. Program, a program designed to provide access to consumer credit for low- and moderate-income individuals who are unable to obtain credit because of down payment and closing-cost requirements.

Marketing for the bank's Small Business Administration ("SBA") loan programs is conducted through the Government Guaranteed Lending Unit. Activities of the unit include developing product specific advertisements for local business journals throughout the state, participation in SBA seminars, hosting seminars targeted at small business owners, and producing marketing materials for use at these seminars.

2. Sacramento

Currently, FICAL uses the Home Buyer Education Workshops to reach low-income and minority communities in the Sacramento MSA. FICAL conducted 14 homebuyer workshops in 1993, and 17 such workshops through the first half of 1994. After the merger, FICAL will maintain the same number of workshops as the combined number of workshops that Savings Bank and FICAL currently conduct.

FICAL also plans to implement a four-part Sacramento Affordable Mortgage Loan Marketing Plan. First, FICAL will develop a direct mail campaign, consisting of a series of letters or postcards announcing the availability of FHA, FmHA, VA, and Community Investment Home loans to all segments of the Sacramento MSA. Second, advertisements will be placed in community-oriented publications. Third, advertisements will be placed with radio stations targeted to minority audiences. Fourth, a community reinvestment officer has been hired to work with community organizations to communicate the availability of FICAL's special affordable mortgage programs and products.

F. Branches

The 1994 examination indicates that branch offices are reasonably accessible to all segments of the bank's local community and provide a full range of deposit and credit services. Each branch has ATM facilities, and additional stand-alone ATMs are available at various locations throughout the state. The 1994 examination also indicates that FICAL has a comprehensive, written branch-closure policy. The policy states that the decision to close a branch office shall be made only after the bank has thoroughly evaluated the potential impact of such an action and consulted with the local community, including customers and employees.

In Sacramento, FICAL and Savings Bank have seven branch offices located in census tracts either designated as low- to moderate-income or having a minority population greater than 50 percent. Two of these offices would be consolidated into nearby FICAL offices in accordance with FICAL's branch-closure policy.

G. Conclusion Regarding Convenience and Needs Factor

On the basis of all the facts of record, including the information provided by the commenters and First Interstate, and relevant reports of examination, the Board concludes that the convenience and needs considerations, including the CRA records of performance of FICAL and Savings Bank, are consistent with approval of these applications.[17] The Board expects First Interstate to implement fully all commitments made in connection with this proposal, including its proposed CRA initiatives for the Sacramento area. The Board also expects FICAL to continue to strengthen its performance in the areas discussed in this order, and to

17. Protestants have requested that the Board hold a public hearing or meeting on this proposal. The Board's rules provide that a hearing is required under section 4 of the BHC Act only if there are disputed issues of material fact that cannot be resolved in some other manner. In addition, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered this request. In the Board's view, Protestants have had sufficient opportunity to present written submissions, and has submitted substantial written comments that have been considered by the Board. On the basis of all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on these applications is hereby denied.

submit semiannual reports on its programs to the Federal Reserve Bank of San Francisco for the next two years. The Board will assess the success of FICAL's continued efforts in connection with future applications for expansion by First Interstate.

Other Considerations

The financial and managerial resources and future prospects of First Interstate, Savings Bank, and their respective subsidiaries, and the other supervisory factors the Board must consider under the Bank Merger Act and the Federal Reserve Act, are consistent with approval of this proposal.

In addition, the record does not indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not likely to be outweighed by the public benefits of this proposal. The Board expects that FICAL's acquisition of Savings Bank would provide added convenience and services to Savings Bank customers because they would have access to an array of services and programs not currently provided by Savings Bank in the Sacramento community. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of First Interstate's applications to acquire Savings Bank.

The Board also has considered the additional factors it must review under section 5(d)(3) of the FDI Act, and the record in this case reflects that:

(1) The transaction will not result in the transfer of any federally insured depository institution's federal deposit insurance from one federal deposit insurance fund to the other;

(2) First Interstate and FICAL currently meet, and upon consummation of the proposed transaction will continue to meet, all applicable capital standards; and

(3) Because FICAL is located in California and is merging with a California savings association, the proposed transaction would comply with the Douglas Amendment if Savings Bank were a state bank that First Interstate was applying to acquire directly. *See* 12 U.S.C. § 1815(d)(3).

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved.[18] The Board's approval of this proposal is specifically conditioned on compliance by First Interstate with the commitments made in connection with these applications and upon First Interstate and FICAL receiving all necessary federal and state approvals. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The Board's determination is subject to all of the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

The merger of FICAL and Savings Bank shall not be consummated before the thirtieth calendar day following the effective date of this order, and neither transaction shall be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 22, 1994.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, Lindsey, Phillips, and Yellen. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Branches of Sacramento Savings Bank to be Acquired by First Interstate Bancorp

330 E Street, Davis, California
5499 Sunrise Blvd., Davis, California
5000 Laguna Blvd., Elk Grove, California

18. In addition, one Protestant criticized FICAL's record on the representation of African Americans among its vendor contractors; on its board of directors; and on its executive, officer, and management staffs. The Board notes that because FICAL employs more than 50 people, serves as a depository of government funds, and acts as agent in selling or redeeming U.S. savings bonds and notes, it is required by Department of Labor regulations to:

(1) File annual reports with the Equal Employment Opportunity Commission; and

(2) Have in place a written affirmative action compliance program that states its efforts and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel.

See 41 C.F.R. 60-1.7(a), 60-1.40. First Interstate and its other subsidiaries also are subject to these equal opportunity and affirmative action requirements.

954 East Avenue, Chico, California
6585 Oakmont Drive, Santa Rosa, California
190 E. Monte Vista Avenue, Vacaville, California
5697 Hillsdale Blvd., Sacramento, California
6363 Riverside Blvd., Sacramento, California
90 Belle Mille Road, Red Bluff, California
1224 E. Gibson Road, Woodland, California
1380 Hilltop Drive, Redding, California
9165 Kiefer Blvd., Sacramento, California
8859 Madison Avenue, Fair Oaks, California
6653 Clark Road, Paradise, California
5107 Fair Oaks Blvd., Carmichael, California
3103 Travis Blvd., Fairfield, California
3205 West Hammer Lane, Stockton, California
2485 Notre Dame Blvd., Suite 750, Chico, California
1326 Broadway, Sacramento, California
1300 W. Kettleman Lane, Lodi, California
3450 Palmer Drive, Cameron Park, California
2440 N. Texas Street, Fairfield, California
3101 Travis Blvd., Fairfield, California
8395 Folsom Blvd., Sacramento, California
9165 Kiefer Blvd., Sacramento, California
850 Colusa Avenue, Yuba, California
995 Tharp Road, Yuba City, California
7895 Lichen Drive, Citrus Heights, California
6031 Greenback Lane, Citrus Heights, California
2805 Childress Drive, Anderson, California
13422 East Lincoln Way, Auburn, California
1801 Douglas Blvd., Roseville, California
9 South El Dorado Street, Stockton, California
1100 Pitt School Road, Dixon, California
736 Taylorville Road, Grass Valley, California
7201 Southland Park Drive, Sacramento, California
424 L Street, Sacramento, California
1651 Response Road, Sacramento, California
6945 Stockton Blvd., Sacramento, California
2150 Watt Avenue, Sacramento, California
8799 Elk Grove Blvd., Elk Grove, California
11875 Sutton Way, Grass Valley, California
701 East Bidwell Street, Folsom, California
11200 Gold Express Drive, California
4875 Granite Drive, Rocklin, California
3980 Missouri Flat Road, Placerville, California
700 E Street, Marysville, California
1320 Yuba Street, Redding, California

Pinnacle Bancorp, Inc.
Central City, Nebraska

Order Approving Application to Engage in Full-Service Securities Brokerage Activities Through a Joint Venture

Pinnacle Bancorp, Inc., Central City, Nebraska ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)), and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire through its wholly owned subsidiary, Pinnacle Investment Company, Windsor, Colorado, a partial interest in a *de novo* joint venture partnership ("Joint Venture") that would provide full-service securities brokerage services pursuant to section 225.25(b)(15) of Regulation Y (12 C.F.R. 225.25(b)(15)). The remaining interest in Joint Venture would be acquired by Gilbert Marshall & Company, Greeley, Colorado ("Gilbert Marshall").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 61,913 (1993)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with $1.1 billion in total consolidated assets, operates subsidiary banks in Colorado, Kansas, Nebraska and Wyoming,[1] and engages in permissible nonbanking activities. Gilbert Marshall is a registered broker-dealer and derives a significant portion of its revenues from underwriting and dealing in bank-ineligible securities.

The Board previously has determined by regulation that providing full-service securities brokerage services is an activity that is closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act.[2] Applicant has committed that Joint Venture will conduct these activities in accordance with the limitations imposed by section 225.25(b)(15) of Regulation Y.

Applicant proposes that two officers of Gilbert Marshall who are involved in marketing and selling bank-ineligible securities underwritten and dealt in by Gilbert Marshall serve as officers of Joint Venture. In addition, Applicant proposes that at least half of the 35 registered broker-dealers employed by Gilbert Marshall serve simultaneously as employees of Joint Venture and provide full-service brokerage services to customers of Applicant's bank affiliates.[3] Applicant maintains that reliance on officers and broker-dealers who are dual employees is necessary to the success of Joint Venture.

In prior decisions, the Board has expressed concern that joint ventures potentially could lead to a matrix of

1. Asset data are as of December 31, 1993.
2. *See* 12 C.F.R. 225.25(b)(15).
3. Initially, Joint Venture's offices would be established at six Pinnacle bank locations. Gilbert Marshall would provide one or more brokers to each location during regular business hours or as needed.

relationships between co-venturers that could breach the legally mandated separation of banking and commerce, create the possibility of conflicts of interests and other adverse effects that the BHC Act was designed to prevent, or impair, or give the appearance of impairing, the ability of the banking organization to function effectively as an independent and impartial provider of credit.[4] The Board has restricted dual employees between a joint venture and a securities firm co-venturer in previous cases, to separate the permissible activities of the joint venture from the impermissible activities of the co-venturer securities firm.[5]

In this case, Applicant has made several commitments to address concerns that the proposed common officers and employees may cause Joint Venture to be engaged in impermissible securities activities or may cause conflicts of interests or other adverse effects. Applicant has committed that Joint Venture will not recommend, market, or act as broker for any securities underwritten or dealt in by Gilbert Marshall, and will not solicit customers on Gilbert Marshall's behalf. None of the broker-dealers employed by Joint Venture will have any involvement in Gilbert Marshall's underwriting, market making or dealing activities, either at Gilbert Marshall or at Joint Venture, even while serving as employees of Gilbert Marshall.[6] In addition, Joint Venture's activities will be conducted at a location separate from the Gilbert Marshall offices, and Joint Venture will not include any reference to Gilbert Marshall in its name. While two of the officers of Gilbert Marshall who are engaged in underwriting and dealing activities would be officers of the joint venture, neither these officers nor any other officers of Gilbert Marshall will have access to the Pinnacle customer lists or be permitted to provide services directly to Joint Venture's customers. Moreover, the dual employees will not distribute prospectuses or sales literature regarding securities underwritten or dealt in by Gilbert Marshall, and will not refer customers to Gilbert Marshall.

Based on these and all of Applicant's other commitments, it appears that the proposed dual officers and employees would not cause Applicant or Joint Venture to become involved in impermissible securities activities.

4. *See The Chuo Trust and Banking Company, Limited*, 78 *Federal Reserve Bulletin* 446 (1992) (*Chuo Trust*); *Amsterdam-Rotterdam Bank, N.V.*, 70 *Federal Reserve Bulletin* 835 (1984) (*Amro*).

5. *See Amro; Chuo Trust; Banque Nationale de Paris*, 80 *Federal Reserve Bulletin* 638 (1994).

6. The underwriting and dealing activities of Gilbert Marshall will be handled exclusively by the officers of Gilbert Marshall, none of whom will have contact with customers of Joint Venture.

In order to approve this application, the Board also must determine that the performance of the proposed activities by Applicant "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[7] Applicant and Joint Venture have committed that the securities advisory and brokerage services offered by Joint Venture will be provided in accordance with the guidelines established by the Board and the other agencies for the sale of uninsured products on bank premises.[8]

Under these guidelines, the securities and advisory services provided by Joint Venture on bank premises will be provided by trained personnel at a clearly identified location separate from the bank's deposit-taking area. Customers also will receive written disclosures that specific products recommended by Joint Venture are uninsured and will be required to sign a written acknowledgement of the disclosures. Applicant has established procedures for supervising Joint Venture's compliance with these and the other policies set forth in the guidelines and Applicant may terminate the joint venture if the policies are not followed. The Board believes that this framework for conducting the proposed activities reduces the potential for conflicts of interests and customer confusion that otherwise might be associated with conducting the proposed activities on bank premises.

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the transaction on these resources.[9] Based on the facts of this case, the Board concludes that financial considerations are consistent with approval of this application. The managerial resources of Applicant also are consistent with approval.

The Board expects that the *de novo* entry of Applicant into the market for the proposed services would provide added convenience to Applicant's customers, and would increase the level of competition among existing providers of these services. Accordingly, the Board has determined that performance of the proposed activities by Joint Venture can reasonably be expected to produce benefits to the public.

In addition, the record does not indicate that consummation of the proposal is likely to result in any

7. 12 U.S.C. § 1843(c)(8).

8. *See* Interagency Statement on Retail Sales of Nondeposit Investment Products, February 15, 1994.

9. 12 C.F.R. 225.24.

significantly adverse effects, such as concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not likely to be outweighed by the public benefits of the proposal. Accordingly, the Board has determined that the public interest factors it must consider under section 4 of the BHC Act are favorable and consistent with approval of the application.

Based on the foregoing and all the facts of record, the Board has determined to, and hereby does, approve the application, subject to the terms and conditions set forth in this order, and in the Board regulations and orders noted above. The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and prevent evasion of, the provisions of the BHC Act, and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in this application, including the commitments discussed in this order and the conditions set forth in the Board orders noted above. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and, as such, may be enforced in proceedings under applicable law.

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 Kansas City, pursuant to delegated authority.

By order of the Board of Governors, effective September 19, 1994.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, Phillips, and Yellen. Absent and not voting: Governors LaWare and Lindsey.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

The Toronto-Dominion Bank
Toronto, Canada

Order Approving Application to Engage De Novo in Various Securities-Related Activities, Including Underwriting and Dealing in All Types of Debt and Equity Securities on a Limited Basis

The Toronto-Dominion Bank, Toronto, Canada ("Applicant"), a foreign bank subject to the provisions of the Bank Holding Company Act ("BHC Act"),[1] has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to engage *de novo* through its wholly owned subsidiary, Toronto Dominion Securities (USA) Inc., New York, New York ("Company"), in the following nonbanking activities:

(1) Underwriting and dealing in, to a limited extent, all types of debt and equity securities (other than securities issued by open-end investment companies), including sovereign debt securities, corporate debt securities, convertible debt securities, debt securities issued by a trust or other vehicle secured by or representing interests in debt obligations, preferred stock, common stock, American Depositary Receipts, and other direct and indirect ownership interests in corporations and other entities ("bank-ineligible securities");

(2) Purchasing and selling all types of securities as a "riskless principal" on the order of customers; and

(3) Making, acquiring, and servicing loans or other extensions of credit (including issuing letters of credit and accepting drafts) for Company's account and for the account of others, pursuant to section 225.25(b)(1) of Regulation Y.

Applicant seeks approval for Company to conduct the proposed activities throughout the United States.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (59 *Federal Register* 11,607 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets of \$56.6 billion, is the fifth largest commercial banking organization in Canada and the 98th largest bank in the world.[2] In the United States, Applicant operates a branch and a limited purpose trust company in New York, New York, an agency in Houston, Texas, and a representative office in Chicago, Illinois. In addition, Applicant engages through Company and other subsidiaries in a broad range of permissible nonbanking activities in the United States. Company currently is engaged in limited bank-ineligible securities underwriting and dealing activities that are permissible under section 20 of the Glass–Steagall Act (12 U.S.C.

1. Applicant, a foreign bank with a branch in New York, New York, is subject to the BHC Act by operation of section 8(a) of the International Banking Act of 1978 (12 U.S.C. § 3106(a)).

2. Asset data are as of December 31, 1992, and employ exchange rates then in effect.

§ 377).[3] Company is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") and a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is subject to the record-keeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

As indicated above, the Board has previously determined by regulation that the proposed activities related to the making, acquiring, and servicing of loans and other extensions of credit are closely related to banking within the meaning of the BHC Act. *See* 12 C.F.R. 225.25(b)(1). In order to approve this application, the Board also must determine that the performance of the proposed activities by Company "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Underwriting and Dealing Activities

The Board has previously determined that the conduct of the proposed underwriting and dealing activities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in the underwriting and dealing activities derives no more than 10 percent of its total gross revenue from underwriting and dealing in bank-ineligible securities over any two-year period.[4] Applicant has committed that Company will conduct its underwriting and dealing activities with respect to bank-ineligible securities subject to this 10 percent revenue test.[5]

The Board has determined that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed underwriting and dealing activities involving bank-ineligible securities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act.[6] Applicant has committed that Company will conduct the proposed underwriting and dealing activities using the same methods and procedures, and subject to the same prudential limitations as were established by the Board in the Section 20 Orders and other previous cases.

The Board notes that, in connection with this proposal, an issue has been raised as to whether the Section 20 Orders would prevent affiliates of Company from participating in letter of credit or similar facilities that would enhance the marketability or creditworthiness of bank-ineligible securities underwritten by Company. The Board's Section 20 Orders contain a limitation on credit enhancements which prohibits an affiliate of a section 20 subsidiary from extending credit that might be viewed as enhancing the creditworthiness or marketability of securities underwritten by the section 20 subsidiary. Unlike other limitations contained in the Section 20 Orders, this limitation on credit enhancements contains no exception for credit facilities in which there is substantial participation by other lenders. Accordingly, this limitation would pro-

3. In particular, Company has authority to underwrite and deal in, to a limited extent, certain municipal revenue bonds, 1–4 family mortgage-related securities, commercial paper, and consumer receivable-related securities. In addition, Company is authorized to:

(1) Underwrite and deal in securities that state member banks are permitted to underwrite and deal in under sections 5(c) and 16 of the Glass–Steagall Act (12 U.S.C. §§ 335 and 24(7));

(2) Act as agent in the private placement of all types of securities;

(3) Provide investment advisory and securities brokerage services on a combined basis;

(4) Provide certain financial and transaction advice to institutions;

(5) Broker various interest rate and currency swaps, and similar transactions;

(6) Arrange for the sale of loans and other extensions of credit originated by affiliated and unaffiliated lenders; and

(7) Provide financial advice to Canadian governmental authorities and their agents with respect to the issuance of their securities in the United States.

See The Toronto-Dominion Bank, 76 *Federal Reserve Bulletin* 573 (1990).

4. *See Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990); *J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industries Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. den.*, 486 U.S. 1059 (1988) (collectively, "Section 20 Orders"). Compliance with the 10 percent revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989), the *Order Approving Modifications to the Section 20 Orders*, 79 *Federal Reserve Bulletin* 226 (1993), and the *Supplement to Order Approving Modifications to Section 20 Orders*, 79 *Federal Reserve Bulletin* 360 (1993) (collectively, "Modification Orders"). In this regard, the Board notes that Applicant has not adopted the Board's alternative indexed revenue test to measure compliance with the 10 percent limitation on bank-ineligible securities activities, and, absent such election, will continue to employ the Board's original 10 percent revenue standard.

5. Applicant also has proposed that Company engage in certain activities, including repurchase and reverse repurchase transactions, in connection with and as an incident to the proposed underwriting and dealing activities. In this regard, the Board notes that Company may engage in activities that are necessary incidents to the proposed underwriting and dealing activities, provided that any such activities are treated as part of the bank-ineligible securities activities unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently. Until such approval is obtained, any revenues from the incidental activities must be counted as ineligible revenues subject to the 10 percent revenue limitation set forth in the Section 20 Orders, as modified by the Modification Orders.

6. *See* Section 20 Orders.

hibit affiliates of Company from participating in a credit facility that would support bank-ineligible securities underwritten by Company, even when other lenders participate in the facility to a substantial extent.

Riskless Principal Activities

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security from a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[7] Riskless principal transactions are understood in the industry to include only transactions in the secondary market. Thus, Company would not act as a riskless principal in selling securities at the order of a customer that is the issuer of the securities to be sold or in any transaction in which Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a riskless principal in any transaction involving a security for which it makes a market.

The Board has previously determined that, subject to prudential limitations that address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed riskless principal activities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act.[8] The Board has also previously determined that purchasing and selling securities on the order of investors as a riskless principal does not constitute underwriting or dealing in securities for purposes of section 20 of the Glass–Steagall Act, and, accordingly, that revenue derived from these activities is not subject to the 10 percent revenue limitation on bank-ineligible securities underwriting and dealing.[9] Applicant has committed that Company will conduct its riskless principal activities using the same methods and procedures, and subject to the same prudential limitations, as were established by the Board in the *Bankers Trust* Order, the *J.P. Morgan* Order, and other orders approving the conduct of riskless principal activities,[10] as modified to reflect Applicant's status as a foreign bank.[11] These methods, procedures, and prudential limitations include the comprehensive framework of restrictions designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects imposed by the Board in connection with underwriting and dealing in securities.

Other Considerations

In every case under section 4(c)(8) of the BHC Act, the Board considers the financial and managerial resources of the applicant and its subsidiaries and the effect of the transaction upon such resources.[12] In considering these factors, the Board has noted that Applicant's capital ratios satisfy applicable risk-based standards established under the Basle Accord, and are considered equivalent to the capital levels that would be required of a U.S. banking organization. The Board has also reviewed the capitalization of Applicant and Company in accordance with the standards set forth in the Section 20 Orders, and finds the capitalization of each to be consistent with approval of this proposal. With respect to the capitalization of Company, this determination is based upon all the facts of record, including Applicant's projections with respect to the volume of Company's underwriting and dealing activities in bank-ineligible securities. On the basis of all the facts of record, including the foregoing, and subject to the completion of a satisfactory infrastructure review, the Board has concluded that financial and managerial considerations are consistent with approval of this application.

Under the framework and conditions established in this and prior decisions, consummation of this pro-

7. *See* 17 C.F.R. 249.10b-10(a)(8)(i).

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

9. *See Bankers Trust* Order.

10. *See J.P. Morgan* Order; *Bankers Trust* Order. Included among the limitations applicable to the proposed activities are that Company will maintain specific records that will clearly identify all riskless principal transactions, and that Company will not engage in any riskless principal transactions for any securities carried in its inventory. When acting as a riskless principal, Company will engage only in transactions in the secondary market, and not at the order of a customer that is the issuer of the securities to be sold, will not act as riskless principal in any transaction involving a security for which it makes a market, and will not hold itself out as making a market in the securities that it buys and sells as a riskless principal. Moreover, Company will not engage in riskless principal transactions on behalf of any foreign affiliates that engage in securities dealing activities outside the United States, and will not act as riskless principal for registered investment company securities. In addition, Company will not act as a riskless principal with respect to any securities of investment companies that are advised by Applicant or any of its affiliates.

With respect to these riskless principal activities, Applicant has proposed that Company be permitted to enter bid or ask quotations, or publish "offering wanted" or "bid wanted" notices, on trading systems other than an exchange or the NASDAQ, provided that Company not enter price quotations on different sides of the market for a particular security without a separation of at least two business days between such quotations. The Board has previously permitted this practice in connection with riskless principal activities. *See Dauphin Deposit Corporation*, 77 *Federal Reserve Bulletin* 672 (1991).

11. *See, e.g., The Bank of Nova Scotia*, 76 *Federal Reserve Bulletin* 545 (1990).

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

posal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Moreover, the Board expects that the *de novo* entry of Company into the market for the proposed services in the United States would provide added convenience to Applicant's customers, and would increase the level of competition among existing providers of these services. For these reasons, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Accordingly, and for the reasons set forth in this order and in the Section 20 Orders, the Board has concluded that Applicant's proposal to engage through Company in the proposed activities is consistent with the Glass–Steagall Act, and that the proposed activities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act, provided that Applicant limits Company's activities as specified in this order and the Section 20 Orders, as modified by the Modification Orders.

On the basis of the foregoing and all the facts of record, including the commitments furnished by Applicant, the Board has determined that the application should be, and hereby is, approved, subject to all the terms and conditions of this order and the Section 20 Orders, as modified by the Modification Orders. The Board's approval of this proposal extends only to activities conducted within the limitations of those orders and this order, including the Board's reservation of authority to establish additional limitations to ensure that Company's activities are consistent with safety and soundness, conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order and the Section 20 Orders is not within the scope of the Board's approval and is not authorized for Company.

The Board's approval of this proposal is conditioned upon a future determination by the Board that Applicant and Company have established policies and procedures to ensure compliance with the Section 20 Firewalls and the other requirements of this order and the Section 20 Orders, including computer, audit, and accounting systems, internal risk management controls, and the necessary operational and managerial infrastructure. Upon notification by the Board that this condition has been satisfied, Company may immediately commence the proposed underwriting and dealing activities with respect to bank-ineligible securities, subject to the other conditions of this order and the Section 20 Orders.

The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with this application, including the commitments discussed in this order, and the conditions set forth in this order and the above-noted Board regulations and orders. These commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective September 14, 1994.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, Lindsey, Phillips, and Yellen. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

ORDERS ISSUED UNDER BANK MERGER ACT

Bank of Lancaster
Kilmarnock, Virginia

Order Approving Merger of Savings Association with a Commercial Bank

Bank of Lancaster, Kilmarnock, Virginia ("Bank"), a state member bank, has applied under section 18(c) of the Federal Deposit Insurance Act ("FDI Act") (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to acquire the Kilmarnock, Virginia, branch of TideMark Bank ("TideMark Branch"), a federally chartered stock savings bank headquartered in Newport News, Virginia. Bank also has applied under section 5(d)(3) of the FDI Act (12 U.S.C. § 1815(d)(3)), as amended by the Federal Deposit Insurance Corporation Improvement Act of 1991 (Pub. L. No. 102-242, § 501, 105 Stat. 2236, 2388 (1991)), to acquire Tidemark Branch[1] and to establish a branch at this location, pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*).

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

Bank is the 35th largest commercial banking organization in Virginia, controlling $135.1 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state.[2] TideMark Branch controls deposits of $5.2 million, representing less than 1 percent of total deposits in thrift institutions in the state. Upon consummation of the proposed transaction, Bank would remain the 35th largest commercial bank in Virginia, controlling $140.3 million, representing less than 1 percent of total deposits in commercial banks in the state.

Competitive Considerations

Bank and TideMark Branch compete directly in the Lancaster County banking market.[3] Bank is the largest of the five depository institutions in the market, controlling deposits of $135.1 million, representing 58.2 percent of the total deposits in depository institutions in the market ("market deposits").[4] TideMark Branch is the fifth largest depository institution in the market, controlling $5.2 million in deposits, representing 1.1 percent of market deposits. Upon consummation of this proposal, Lancaster would control $140.3 million in deposits, representing 59.8 percent of total market deposits. The Herfindahl-Hirschman Index ("HHI") would increase by 167 points to 4331.[5]

The Board notes that a number of factors indicate that the competitive effects of the proposal may be overstated by the increase in concentration as measured by the HHI. Because of its financial condition, TideMark Bank has operated under formal supervisory action by the OTS since 1990, and it has not been a viable competitor in the market. In addition, three other commercial banks, including two branches of the state's largest commercial banks, would remain in the market after consummation of this proposal. Moreover, TideMark Bank undertook substantial efforts to find a buyer both in and out of the market, and Bank emerged as the only purchaser for TideMark Branch's relatively small amount of deposits.

As noted above, the Board sought comments from the United States Attorney General, the OCC, the FDIC, and the OTS on the competitive effects of this proposal. The Attorney General indicated that the proposal is not likely to have a significantly adverse effect on competition in any relevant banking market, and the OCC, the FDIC, and the OTS did not object to the acquisition. Based on all the facts of record, including the financial condition of TideMark Branch, the Board concludes that consummation of this proposal would not have significantly adverse effects on competition or on the concentration of resources in any relevant banking market.

The Board also concludes that the financial and managerial resources and future prospects of Bank and TideMark Branch are consistent with approval of this application. Considerations relating to the convenience and needs of the communities to be served and the other supervisory factors the Board is required to consider under the Bank Merger Act are all consistent with approval.

1. Section 5(d)(3) of the FDI Act requires the Board to follow the procedures and consider the factors set forth in section 18(c) of the Bank Merger Act.

2. Market deposit data are as of June 30, 1994.

3. The Lancaster County banking market is approximated by Lancaster County, Virginia.

4. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of TideMark Branch would be transferred to a commercial bank under this proposal, those deposits are included at 100 percent in the calculation of *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

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

In addition, the Board has also considered the specific factors it must review under section 5(d)(3) of the FDI Act, and the record in this case shows that:

(1) The transaction will not result in the transfer of any federally insured depository institution's federal deposit insurance from one federal deposit insurance fund to the other; and

(2) Bank currently meets, and upon consummation of the proposed transaction will continue to meet, all applicable capital standards.

The Board also has reviewed the factors it is required to consider in applications for the establishment and operation of branches under the Federal Reserve Act and finds them to be consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined that these applications should be, and hereby are, approved. The Board's approval of these applications is conditioned on compliance by Bank with the commitments made in connection with these applications. For purposes of this action, the commitments and conditions relied on in reaching this decision are both conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective September 12, 1994.

Voting for this action: Vice Chairman Blinder and Governors Kelley, Lindsey, Phillips, and Yellen. Absent and not voting: Chairman Greenspan and Governor LaWare.

JENNIFER J. JOHNSON
Deputy Secretary of Board

Rocky Mountain Bank of Billings
Billings, Montana

Order Approving the Merger of Banks

Rocky Mountain Bank of Billings, Billings, Montana ("Billings Bank"), a state member bank,[1] has applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") to merge with Powder River Bank of Broadus, Broadus; Security State Bank of Harlem, Harlem ("Harlem Bank"); Rocky Mountain Bank of Plains, Plains; First State Bank of Stevensville, Stevensville; and The Whitehall State Bank, Whitehall; all in Montana (collectively, "merging banks"), with Billings Bank to be the surviving institution. Billings Bank and the merging banks are subsidiaries of Rocky Mountain Bancorporation, Inc., Billings, Montana ("Rocky Mountain"), a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*). In connection with this proposal, Billings Bank also has applied for the Board's approval under section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*) to establish branches at the sites of the merging banks' existing offices.

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

Billings Bank controls deposits of $22.1 million, representing less than 1 percent of the total deposits in commercial banks in Montana.[2] The merging banks collectively control deposits of $99.3 million, representing approximately 1.5 percent of total deposits in commercial banks in the state. Upon consummation of this proposal, Rocky Mountain would remain the ninth largest commercial banking organization in Montana, controlling deposits of $121.4 million, representing approximately 1.8 percent of total deposits in commercial banks in the state.

As previously noted, Rocky Mountain currently controls Billings Bank and the merging banks. Hence, this transaction represents a merger of banks that are already affiliated. The Attorney General has indicated that this proposal is not likely to result in a significantly adverse effect on competition in any relevant banking market, and neither the OCC nor the FDIC has objected to consummation of this transaction. Based on all the facts of record, including the foregoing, the Board has concluded that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

1. Billings Bank, formerly Western Bank of Billings, became a member of the Federal Reserve System on June 24, 1994.

2. Deposit data are as of March 31, 1994.

Convenience and Needs Considerations

In acting on an application under the Bank Merger Act, the Board is required to consider the convenience and needs of the communities to be served, and to take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of applications under the Bank Merger Act or section 9 the Federal Reserve Act to establish domestic branches.[3]

The Board has received comments from the Fort Belknap Community Council[4] ("Protestant") that criticize the efforts of Harlem Bank to meet the credit and banking needs of the communities it serves. Protestant alleges generally that Harlem Bank historically has denied credit to Native American borrowers, even when those loans would be guaranteed by the Bureau of Indian Affairs ("BIA"), and that, in some cases, the bank denied credit to applicants who had maintained deposit accounts at Harlem Bank for several years. Protestant also alleges that Harlem Bank has discouraged Native Americans from applying for credit by turning down potential borrowers before a credit application was filed. In addition, Protestant alleges that although there is a substantial shortage of housing on the Fort Belknap Indian Reservation, Harlem Bank has not extended an adequate amount of residential loans to Native Americans.

In its consideration of the convenience and needs factor under the Bank Merger Act, the Board has carefully reviewed the entire record of CRA performance of Billings Bank, Harlem Bank, and the other merging banks, all comments received and Harlem Bank's responses to those comments, and all other relevant facts of record in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[5]

3. 12 U.S.C. § 2903.

4. The Fort Belknap Community Council is the federally-recognized governing body of the Fort Belknap Indian Reservation, home to the Gros Ventre and Assiniboine Tribes.

5. 54 *Federal Register* 13,742 (1989).

Record of CRA Performance

A. Evaluation of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the applications process.[6] The Board notes that all of Rocky Mountain's subsidiary banks that have been examined for CRA performance received "satisfactory" ratings from their primary regulators during their most recent examinations for CRA performance. In particular, Billings Bank, the surviving institution under this proposal, received a "satisfactory" rating from the FDIC, at its most recent examination for CRA performance as of January 18, 1994.[7] In addition, Harlem Bank received a "satisfactory" rating from the FDIC at its most recent CRA examination as of September 27, 1993 ("1993 Exam").

B. Lending Record

The Board has carefully reviewed Harlem Bank's lending data in light of Protestant's allegations. The Board notes that the FDIC concluded in the 1993 Exam that Harlem Bank's geographic distribution of credit applications and denials demonstrated reasonable penetration of all segments of the bank's local community. The examination results also indicated that the bank had advanced credit throughout its local community, and that a majority of these credit extensions were to borrowers within Harlem Bank's delineated community.[8] In addition, the FDIC determined that the bank's loan records did not show a disproportionate impact of credit denials or credit extensions on any protected group. Moreover, the FDIC did not find any evidence of practices intended to discourage applications for the bank's credit products, or any prohibited discriminatory or other illegal credit practices. Harlem Bank's loan policy states that the bank will not discriminate in its credit practices.[9]

The record also indicates that Harlem Bank has made significant efforts to help meet the credit needs of Native Americans. According to the lending data provided by Harlem Bank, a substantial portion of the

6. *Id.* at 13,745.

7. The Board notes that Rocky Mountain has committed to implement the CRA policies and programs of Billings Bank in the communities currently served by Harlem Bank.

8. Harlem Bank's delineated community is approximated by Blaine County and a small portion of the west side of Phillips County, both in Montana, and includes the entire Fort Belknap Indian Reservation.

9. Rocky Mountain has recently added a corporate compliance officer to provide support, audit, and training for its subsidiary banks on CRA performance and related compliance matters.

bank's overall lending has been extended to Native Americans.[10] The bank extended 54.8 percent of the 872 loans in its loan portfolio to Native Americans, which represents over 20 percent of the dollar value of outstanding loans in the bank's portfolio. Harlem Bank's loan portfolio also indicates that the bank has extended 70.2 percent of its consumer loans, 29.4 percent of its agriculture loans, 30 percent of its commercial loans, and 19.3 percent of its real estate loans to Native Americans. Moreover, from July 1, 1993 to June 30, 1994, Harlem Bank made 62.3 percent of its total loans to Native Americans, representing 31.5 percent of the dollar amount of loans extended.

Harlem Bank also participates in government-insured loan programs targeted to the Native American community. In particular, Harlem Bank has $623,800 in BIA-guaranteed loans in its portfolio.[11] Harlem Bank has not denied credit to individuals proposing a BIA-guaranteed loan during the period from January 1, 1992 to July 28, 1994. The bank has stated that it regularly solicits BIA-guaranteed loans on the Fort Belknap Indian Reservation, and maintains contact with BIA credit administrators in Fort Belknap. Harlem Bank also has outstanding Small Business Administration loans and Farmers Home Administration loans in an aggregate amount of over $1 million.

The 1993 Exam notes that the management and directorate of Harlem Bank are actively involved in various civic and community groups to help ascertain community credit needs, and the bank has made a survey of bank customers to ascertain whether services offered were consistent with the needs of the delineated local community. The bank also advertises on local radio stations and in newspapers and other publications circulated in and around Harlem. In addition, Harlem Bank has met with the Fort Belknap Indian Housing Authority to discuss credit needs on the reservation.

In reviewing the convenience and needs factor under the Bank Merger Act, the Board has carefully considered the entire record, including Protestant's comments and the CRA record of performance. Based on this review, the Board believes that the efforts of Billings Bank and all the merging banks to help meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods, as well as all other convenience and needs considerations, are consistent with approval of this proposal.

Other Considerations

The Board also has concluded that the financial and managerial resources and future prospects of Rocky Mountain, Billings Bank and the merging banks, and all other supervisory factors the Board must consider under the Bank Merger Act, are consistent with approval.

The Board also has considered the factors it is required to consider when reviewing applications to establish branches pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*), and has determined that those factors are consistent with approval of the establishment of Billings Bank branches at the present sites of the merging banks' offices.

Based on the foregoing and all other facts of record, including the commitments made by Rocky Mountain, Billings Bank and the merging banks, the Board has determined that the applications should be, and hereby are, approved.[12] The Board's approval is specifically conditioned on compliance by Rocky Mountain and its subsidiaries with all the commitments made in connection with the applications. The commitments and conditions relied upon by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction 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 Minneapolis, acting pursuant to delegated authority.

10. According to U.S. census data, the population in Harlem Bank's delineated community is composed of approximately 40.8 percent Native Americans.

11. Harlem Bank has approved two additional BIA-guaranteed loans totalling $446,000, which are awaiting BIA action.

12. The Board notes that Protestant also criticized the employment practices of Harlem Bank. Specifically, Protestant alleges that although more than half of the population in Harlem, Montana, is Native American, Harlem Bank does not have any Native American employees. Harlem Bank has indicated that it employs eight people, and contends that it offers equal employment opportunity to qualified individuals without regard to race, color, creed, religion, national origin, sex, age, physical or mental handicap, or marital status. The Board notes that as a result of the proposed transaction, Billings Bank will employ more than 50 people, serve as a depository of government funds, and act as an agent in selling or redeeming U.S. savings bonds and notes; thus, it will be required by Department of Labor regulations to:

(1) File annual reports with the Equal Employment Opportunity Commission; and

(2) Have in place a written affirmative action compliance program which states its efforts and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel.

See 41 C.F.R. 60–1.7(a) and 60–1.40.

By order of the Board of Governors, effective September 6, 1994.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, Lindsey, Phillips, and Yellen. Absent and not voting: Governor LaWare.

WILLIAM W. WILES
Secretary of the Board

ACTIONS TAKEN UNDER THE FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT

By the Board

Barnett Bank of Palm Beach County
West Palm Beach, Florida

Barnett Bank of Pasco County
Port Richey, Florida

Barnett Bank of Pinellas County
St. Petersburg, Florida

Barnett Bank of Southwest Florida
Sarasota, Florida

Barnett Bank of Tampa
Tampa, Florida

Order Approving the Merger of a Savings Association with Commercial Banks and the Establishment of Branches

Barnett Banks, Inc., Jacksonville, Florida ("Barnett"), proposes, through nine of its subsidiary banks, to acquire certain assets and assume certain liabilities of the 60 Florida branch offices of Glendale Federal Bank, F.S.B., Glendale, California ("Glendale"). Five state member banks controlled by Barnett have applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") and section 5(d)(3) of the Federal Deposit Insurance Act (12 U.S.C. § 1815(d)(3)), as amended by the Federal Deposit Insurance Corporation Improvement Act of 1991 (Pub. L. No. 102-242, § 501, 105 Stat. 2236, 2388-2392 (1991)), to acquire certain assets and assume certain liabilities of 26 of the 60 branches of Glendale.[1] These banks are Barnett Bank of Palm Beach County, West Palm Beach, Florida ("Barnett-West Palm Beach"); Barnett Bank of Pasco County, Port Richey, Florida ("Barnett-Pasco County"); Barnett Bank of Pinellas County, St. Petersburg, Florida ("Barnett-Pinellas County"); Barnett Bank of Southwest Florida, Sarasota, Florida ("Barnett-Southwest Florida"); and Barnett Bank of Tampa, Tampa, Florida ("Barnett-Tampa") (collectively, the "State Member Banks").[2] The State Member Banks also have applied, pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321), to establish and operate branch offices at each of these locations.[3]

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

Barnett, with consolidated assets of $38.1 billion, controls 31 banks in Florida and Georgia.[4] Barnett is the largest depository institution in Florida, controlling total deposits of $31.5 billion, representing approximately 19.1 percent of total deposits in depository institutions in the state.[5] The Florida branch offices of Glendale control deposits of $4.1 billion, representing approximately 2.5 percent of total deposits in depository institutions in Florida. Under this proposal, the State Member Banks would acquire 26 of the Florida branches offices of Glendale, which control deposits of $1.4 billion, representing less than one percent of deposits in depository institutions in the state. Upon acquisition by the State Member Banks of these 26 Florida branch offices of Glendale, Barnett would remain the largest depository institution in Florida, controlling deposits of $32.9 billion, repre-

1. Because the state member banks involved in this proposal are all members of the Bank Insurance Fund and are acquiring deposits of Glendale, which is a member of the Savings Association Insurance Fund, prior Board approval is required for this proposal under section 5(d)(3) of the Federal Deposit Insurance Act. Section 5(d)(3) requires the Board to follow the procedures and consider the factors set forth in the Bank Merger Act.

2. Four national banks controlled by Barnett propose to acquire the remaining 34 branches of Glendale. The national banks must obtain the approval of the Office of the Comptroller of the Currency (the "OCC") under the Bank Merger Act before acquiring the assets and assuming the liabilities of these branches. These national banks are Barnett Bank of Broward County, N.A., Fort Lauderdale, Florida; Barnett Bank of Central Florida, N.A., Winter Park, Florida; Barnett Bank of Manatee County, N.A., Bradenton, Florida; and Barnett Bank of South Florida, N.A., Miami, Florida.

3. The locations of the branches that the State Member Banks propose to establish are listed in the Appendix.

4. Asset data are as of June 30, 1994.

5. Deposit and market data are as of June 30, 1993. In this context, depository institutions include commercial banks, savings banks, and savings associations.

senting 19.9 percent of total deposits in depository institutions in the state.

Barnett and Glendale compete directly in the Sarasota, Tampa Bay, and West Palm Beach banking markets, all in Florida. Upon consummation of this proposal, all of these banking markets would remain unconcentrated or moderately concentrated[6] as measured by the Herfindahl-Hirschman Index ("HHI").[7] After considering the competition offered by other depository institutions in the market, the number of competitors remaining in the market, the relatively small increase in concentration as measured by the HHI,[8] and all other facts of record, the Board concludes that consummation of the proposal would not result in a significantly adverse effect on competition in any relevant banking market.

Managerial Resources and Convenience and Needs Considerations

In considering an application by a state member bank to acquire another insured depository institution by merger or to establish an additional branch, the Board must consider the managerial resources of the companies and banks involved in the proposal and the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act ("CRA") (12 U.S.C. § 2901 *et seq.*). In reviewing this proposal, the Board has considered the fact that the Department of Justice ("DOJ") has conducted an investigation regarding the compliance with federal fair lending statutes by Barnett and several of its subsidiaries, including one of the State Member Banks. The DOJ has provided the Board with the Department's conclusion regarding its investigation, but has indicated that it is not able at this time to provide the Board with the information the DOJ has compiled in its investigation. Barnett has indicated that it believes that the lending activities of all of its subsidiaries, including the State Member Banks, fully comply with all federal fair lending laws, and has submitted to the Board extensive information about the lending efforts and programs at its banks, including a statistical analysis of the lending efforts of two of its banks.

The Board has an obligation under the Bank Merger Act and the Federal Reserve Act to act on applications submitted under these Acts in light of specified statutory factors. The Board must apply the criteria specified by statute on the basis of the evidence of record before the Board and its findings must be supported by substantial evidence.

The Board notes that it has received no comment from the public in opposition to this proposal or contending that Barnett is not serving the credit needs of its many local communities, including the low- and moderate-income neighborhoods in these communities, and that there has been no adjudication of any violation of the federal fair lending laws by Barnett or any of its subsidiaries. The Board also notes that, of the five State Member Banks involved in this proposal, four received "outstanding" ratings and one received a "satisfactory" rating from the Federal Reserve Bank of Atlanta in their most recent CRA examinations.[9] The Board also notes that, of the remaining 26 Barnett subsidiary banks, nine received "outstanding" ratings and 13 received "satisfactory" ratings from their primary regulators in their most recent examinations.[10] Glendale received a "satisfactory" rating from the Office of Thrift Supervision, its primary regulator, in its most recent examination as of January 31, 1994.

6. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of the Glendale branches will be transferred to a commercial bank under this proposal, those deposits are included at 100 percent in the calculation of *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

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

8. The HHI would increase in these banking markets as follows: Sarasota—by 51 points to 1579; Tampa Bay—by 157 points to 1445; and West Palm Beach—by 122 points to 987.

9. Barnett-Pinellas County, Barnett-Pasco County and Barnett-Southwest Florida received preliminary ratings of "outstanding" in recent CRA examinations performed by the Federal Reserve Bank of Atlanta, as of April 18, 1994. These ratings represent an upgrade from "satisfactory" ratings received by these three banks as of October 19, 1992. Barnett-West Palm Beach received a rating of "outstanding" in its CRA examination performed by the Federal Reserve Bank of Atlanta, as of August 9, 1993. Barnett-Tampa received a preliminary rating of "satisfactory" in a recent CRA examination performed by the Federal Reserve Bank of Atlanta, as of April 18, 1994, the same rating received by this bank in its examination as of November 12, 1991.

10. One of the subsidiary banks has not been evaluated for CRA performance, and three of the subsidiary banks have not been evaluated for CRA performance since the CRA was amended to require public written evaluations and disclosure of performance ratings.

A. Barnett's Record of Lending in its Community

The Board also has reviewed and considered the policies and programs in place at Barnett. Barnett has in place a number of credit and other bank products and marketing and outreach programs designed to help meet the banking needs of its entire community, including minority and low- and moderate-income borrowers, and to help increase home ownership opportunities for these borrowers. All these products and programs would become available in the Glendale branches proposed to be acquired by Barnett.

Special Programs and Initiatives. In 1992, Barnett pledged to lend more than $2 billion over a five-year period to low- and moderate-income borrowers and businesses owned by minorities and women. Barnett designated $1 billion of that commitment to residential mortgage loans, including loans made through its special loan program known as "Home Ownership Made Easy" (the "HOME Program"), which was introduced in the latter part of 1991.[11] The HOME Program offers more favorable financing terms and flexible underwriting criteria, such as lower down payment requirements and less restrictive underwriting ratios. Loans under this program are priced at one half percent below Barnett's published rate for conventional fixed-rate mortgages, and there are no origination fees, ancillary bank fees or discount points. In addition to the HOME Program, many of Barnett's banks have developed their own products or have modified existing systemwide products to serve the individual needs of their markets.[12] Barnett's goal under its $2 billion initiative was to provide $200 million in CRA-related residential mortgages in 1993. It exceeded this goal by 108 percent, providing over $400 million in such mortgages during that year.

Barnett also has recently entered into a new loan purchase arrangement with the Federal National Mortgage Association ("FannieMae"), under which loans made to low- and moderate-income borrowers using more lenient underwriting standards will be acquired by FannieMae.[13] Barnett also participates in multifamily real estate projects for low- and moderate-income persons.[14]

In January 1992, Barnett implemented a small business banking strategy that includes the active participation in federal, state and local programs that provide loans and other assistance to small business owners. In that regard, Barnett's subsidiary banks are active participants in various loan programs sponsored by the Small Business Administration. As of March 1994, Barnett's outstanding loan commitments to small businesses exceeded $1 billion, and Barnett originated approximately $500 million in new loan commitments to small businesses in 1993 alone.[15]

As part of its $2 billion lending commitment, Barnett established a goal of making $36 million in commercial loans to businesses owned by women and minorities during each year of the five-year initiative. During 1993, Barnett's subsidiary banks, including the State Member Banks, originated $85 million of such loans, exceeding Barnett's annual production goal by 137 percent. In addition, Barnett is one of the largest investors in the six Black Business Investment Corporations located in Florida. Barnett's subsidiary banks, including the State Member Banks, have contributed a total of $1 million of equity to these non-profit organizations, which were established to provide loans and guarantees, and offer equity capital, to businesses owned by African Americans.

Barnett has marketing and outreach programs in place to help ensure that its customers and potential customers are aware of the various products available from its subsidiary banks. Several of Barnett's subsidiary banks have hired community residential lending professionals who maintain regular contact with real estate professionals and churches and community groups in the minority communities within the banks' service areas, and who also originate loans in these communities. Many of the banks have established working relationships with minority real estate agents,

11. Since the HOME Program was introduced in 1991, Barnett has made 4,400 mortgage loans under this program totalling approximately $220 million.

12. For example, Barnett-Pinellas County offers FHA/VA loans. During 1993, the bank originated 331 FHA/VA mortgage loans totalling $20.1 million. The bank also participates in the Pinellas County Housing Finance Authority Bond Program, and has originated 120 loans totalling $141 million under this program as of June 1993. The bank has extended 86 loans for $3.9 million to low-income borrowers participating in programs sponsored by the Tampa Bay Community Development Corporation. In addition, the bank originated 178 HOME Program loans totalling more than $8 million in 1993, and originated 52 such loans totalling $2.2 million during the first quarter of 1994.

13. Under the terms of the arrangement, residential loans will be made to low- and moderate-income borrowers by the Barnett subsidiary banks under a revised HOME Program that will use even more liberal income qualifying and credit history guidelines.

14. For example, Barnett has provided a $26.7 million commitment to the First Housing Development Corporation over the next several years for that organization's Low Income Housing Tax Credit Program. Several of Barnett's subsidiary banks participate in this initiative. For example, Barnett-Pinellas County has provided over $1 million to this program, and its Community Affairs Officer serves on the First Housing Development Corporation's Board of Directors.

15. Barnett also offers several special banking products and services to small businesses, including small business checking, small business merchant services, and other money management services. These services provide assistance in managing the small business by, for example, providing easy access to account information and quick available credit for ATM and credit card payments.

builders and other real estate professionals in their service areas. The Barnett subsidiary banks participate in first-time homebuyer seminars, housing fairs and other mortgage counseling sessions in minority and low- and moderate-income areas.[16]

In 1993, Barnett spent approximately $1 million for advertising in the African-American and Hispanic markets, and anticipates that it will spend $1.5 million in 1994. Advertisements appear in both English and Spanish, and in minority-oriented newspapers and on minority-oriented radio stations. In 1993, Barnett hired an African-American advertising consultant to provide additional guidance on effective methods of reaching the African-American market, which resulted in a specific plan for 1994 using print and radio advertising to generate additional awareness of Barnett's products. Barnett also retained a Hispanic advertising agency to help it develop advertising for the Hispanic market.[17]

Direct mail campaigns aimed at households in CRA-designated census tracts are used frequently by the Barnett organization.[18] For example, in early 1993, Barnett sent literature to 195,000 households in these tracts. The solicitation was supplemented at certain subsidiary banks with a targeted advertising campaign and follow-up calls. This direct mailing campaign, as measured by new deposit accounts and loans generated during 1993 within the targeted census tracts, led to 1,650 new deposit accounts and 938 new installment and mortgage loans totalling approximately $11 million.[19]

Additional steps to increase lending to minorities and low- and moderate-income individuals have included an incentive compensation package for employees to encourage loan originations under Barnett's special mortgage programs. For example, Barnett's systemwide incentive plan pays higher commissions for the origination of loan products designed to serve minority and low- and moderate-income communities.[20] In addition, annual bonuses paid to residential real estate managers depend, in part, on CRA production volume.[21]

Barnett's subsidiary banks have a network of branch offices that serve the minority and low- and moderate-income neighborhoods within their local service areas. Barnett's office closing procedures require a community impact analysis before closing any branch office, including an evaluation of the office's past CRA performance, a discussion of the planned closing with community representatives, and a determination of whether the action will cause a negative impact on the community.

HMDA Data. Data submitted by the State Member Banks for 1992 and 1993 under the Home Mortgage Disclosure Act ("HMDA") (12 U.S.C. § 2801 *et seq.*) indicate an increase in the number of loan applications from African Americans and Hispanics to these banks, as well as an increase in the number of originations to minority loan applicants. For example, from 1992 to 1993, loan applications from African Americans increased from 371 to 597, and the applications from Hispanics increased from 388 to 581. The number of originations made during that period to African Americans increased from 222 to 376, and the number of originations to Hispanics increased from 265 to 344.

The HMDA data for 1992 and 1993 indicate disparities in approvals and denials of loan applications according to racial and ethnic group. Because all banks are obligated to adopt and implement lending practices that ensure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of race, the Board is concerned when the record of an institution indicates disparities in lending to minority applicants. The Board recognizes, however, that HMDA data alone provide only a limited measure of any given institution's lending in its community. The Board also recognizes that HMDA data have limitations that make the data an inadequate basis, absent other information, for conclusively determining whether an institution has engaged in illegal discrimination in making lending decisions. In addition, successful efforts to increase outreach and the number of applications from low- and moderate-income and minority borrowers may affect denial rates.

The Board notes that the most recent CRA examinations for the State Member Banks found no evi-

16. For example, Barnett-Pinellas County holds monthly HOME Program educational classes, and mortgage counseling sessions are held weekly at the bank. A first-time homebuyers seminar was held in February 1994 at a local realtor's office, and small business seminars have been held. Barnett-Pasco County offers a Community Homebuyer's Program that provides a self-study course covering the steps necessary to becoming a homeowner. This bank also participates in a program providing money-management and homeownership counseling services.

17. Several of the subsidiary banks supplement this corporate-wide marketing program with their own efforts. For example, Barnett-Southwest Florida advertises its products in several local publications that reach minorities and residents of low- and moderate-income census tracts.

18. A CRA-designated tract has been defined by Barnett for these purposes as a census tract with median family income equal to less than 80 percent of the median family income for a particular metropolitan statistical area.

19. A similar program in 1992 resulted in 1,486 new deposit accounts and 576 new installment and mortgage loans totalling approximately $10 million.

20. An additional 10 to 20 basis points in commissions are paid on these loans.

21. Under the current incentive plan, 15 to 25 percent of a residential manager's bonus is based on CRA loan production as a percent of total loan production.

dence of a pattern or practice of discriminatory credit practices, or other practices having the intent or effect of discouraging credit applications.

B. Compliance with Fair Lending Laws

During the past two years, Barnett has implemented a comprehensive fair lending compliance program at its subsidiary banks to address its responsibilities for assuring fair lending under the Equal Credit Opportunity Act (15 U.S.C. § 1691 *et seq.*) and other fair lending laws.[22] This program includes comprehensive training for residential real estate employees, including customer contact staff, to ensure a corporate-wide understanding of Barnett's fair lending responsibilities and the flexible mortgage products. In 1992, all residential real estate employees were required to complete this training, and all new residential real estate employees at the banks receive fair lending and CRA training very soon after employment. In 1993, a fair lending self study module was distributed to all employees and directors of the subsidiary banks, and in 1994, all mortgage underwriters were required to attend FannieMae-sponsored training sessions on underwriting loans for low- and moderate-income borrowers. Barnett also is in the process of developing a diversity training program that will be offered to employees at all subsidiary banks.

In 1993, Barnett implemented a second review process that requires a second review of mortgage loan applications recommended for denial.[23] In addition, Barnett has established and implemented policies to ensure that residential appraisals upon which its subsidiary banks rely are performed in accordance with Barnett's fair lending policy. In that regard, Barnett's Residential Appraisal Policy provides specific instruction for detecting subtle forms of discrimination in the performance of appraisals. Lenders have been instructed to reject any appraisal that suggests that neighborhood racial and/or ethnic composition is a predictor of risk. Appraisals are reviewed during the second review process whenever a recommendation for denial is based on inadequate collateral. Additional aspects of Barnett's fair lending program include a "mystery shopper" program to test how customers are treated in the mortgage application process,[24] and the active recruitment of African Americans for employment as originators, processors, underwriters and customer contact personnel in the residential lending departments of the subsidiary banks.

Conclusions Regarding Managerial and Convenience and Needs Factors

The Board has carefully considered the entire record available to it in reviewing these applications under the factors specified in the Bank Merger Act and the Federal Reserve Act. While the Board has considered the views of the DOJ regarding the compliance by Barnett and certain of its subsidiaries with the federal fair lending laws, the Board does not have available to it the information or analysis developed by the DOJ in its investigation. Accordingly, on the basis of the available facts of record, and for the reasons discussed in this order, the Board concludes that the convenience and needs factor, including the CRA performance of the State Member Banks, and the managerial factor, are consistent with approval of these applications, and that the record does not provide a basis to deny these applications under the statutory factors the Board must consider in applications of this type. In acting on these cases, the Board has considered that its action will not hinder the DOJ in its investigation or in any action that may result from that investigation. The Board will monitor the DOJ investigation and retains broad authority to take appropriate supervisory action, including action on future applications, if warranted.

Other Considerations

The Board also concludes that the financial resources and future prospects of the State Member Banks and Glendale, and the other supervisory factors the Board must consider under the Bank Merger Act, are consistent with approval. In addition, the Board has considered the factors it is required to consider when approving applications for the establishment of branches pursuant to section 9 of the Federal Reserve Act, and finds those factors also are consistent with approval. Moreover, the Board also has considered the specific factors it must review under section 5(d)(3) of the Federal Deposit Insurance Act, and the record in this case shows that:

22. This program, formally adopted in 1992, evolved from programs that were in place at many of the subsidiary banks by 1991. Barnett adopted a systemwide program to ensure uniform adherence to its fair lending standards.

23. Several subsidiary banks, including all of the State Member Banks, have expanded their second review process to include certain consumer and small business loans recommended for denial.

24. The purpose of the program was to detect any improper discrimination occurring during the application process. According to the outside consultant who conducted the program in February 1993, the experiences of the minority and non-minority testers were comparable.

(1) The transaction will not result in the transfer of any federally insured depository institution's federal deposit insurance from one federal deposit insurance fund to the other;
(2) The State Member Banks currently meet, and upon consummation of the proposed transaction will continue to meet, all applicable capital standards; and
(3) The proposed transaction would comply with the interstate banking provision of the Bank Holding Company Act (12 U.S.C. § 1842(d)) if the Florida branches of Glendale were state banks that Barnett was applying to acquire directly. *See* 12 U.S.C. § 1815(d)(3).

Based on the foregoing and all the facts of record, the Board has determined that these applications should be, and hereby are, approved. The Board's approval of these applications is conditioned upon Barnett's compliance with the commitments made in connection with these applications. This approval is further subject to Barnett obtaining any required approvals under applicable state laws. For purposes of this action, the commitments and conditions relied on in reaching this decision are both conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

This transaction may not be consummated before the thirtieth calendar day after the effective date of this order, unless such period is shortened with the consent of the Attorney General, or later than three months after the effective date of this order, unless such period is extended by the Board or by the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 29, 1994.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, LaWare, Lindsey, Phillips and Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Branch offices of Glendale Federal Bank, F.S.B., to be acquired by:

Barnett Bank of Tampa

507 Oakfield Drive, Brandon, FL
425 N. Florida Avenue, Tampa, FL
203 W. Fletcher Avenue, Tampa, FL
5005 S. Dale Mabry Highway, Tampa, FL
8001 N. Dale Mabry Highway, Tampa, FL
305 S. Wheeler Street, Plant City, FL
303 N. Tamiami Trail, Ruskin, FL
1609 Sun City Center Plaza, Sun City, FL
9400 56th Street, Temple Terrace, FL

Barnett Bank of Pinellas County

26627 U.S. Highway 19 North, Clearwater, FL
3412 E. Lake Road, Palm Harbor, FL
250 37th Avenue North, St. Petersburg, FL
7600 66th Street North, Pinellas Park, FL
11290 78th Avenue, Seminole, FL
719 S. Missouri Avenue, Clearwater, FL

Barnett Bank of Pasco County

9501 U.S. Highway 19, Port Richey, FL
5205 U.S. Highway 19, New Port Richey, FL

Barnett Bank of Palm Beach County

2301 W. Glades Road, Boca Raton, FL
9136 Glades Road, Boca Raton, FL
4000 N. Federal Highway, Boca Raton, FL
1609 S. Congress Avenue, Boynton Beach, FL
7499 W. Atlantic Avenue, Delray Beach, FL
800 U.S. Highway 1, North Palm Beach, FL
3300 PGA Boulevard, Palm Beach Gardens, FL
6404 Lake Worth Road, Lake Worth, FL

Barnett Bank of Southwest Florida

1670 S. Venice Bypass, Venice, FL

ACTIONS TAKEN UNDER THE FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT OF 1991

By the Secretary of the Board

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.

Bank Holding Company	Acquired Thrift	Acquiring Bank(s)	Approval Date
Keystone Financial, Inc., Harrisburg, Pennsylvania	Pennsylvania National Bank, Pottsville, Pennsylvania	American Savings Bank, Tamaqua, Pennsylvania	September 15, 1994
Union Planters Corporation, Memphis, Tennessee	Cherokee Valley Federal Savings Association, Cleveland, Tennessee	Union Planters Bank of Chattanooga, National Association, Knoxville, Tennessee	September 23, 1994

ACTIONS TAKEN UNDER THE FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT OF 1991

By the Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board

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.

Bank Holding Company	Acquired Thrift	Acquiring Bank(s)	Approval Date
Allied Irish Banks Limited plc, Dublin, Ireland First Maryland Bancorp, Baltimore, Maryland	Second National Federal Savings Association, Salisbury, Maryland	First National Bank of Maryland, Baltimore, Maryland	September 16, 1994
American Bancshares, Inc., Monroe, Louisiana	Oak Tree Federal Savings Bank, New Orleans, Louisiana	First American Bank & Trust of Louisiana, Monroe, Louisiana	August 29, 1994
Central of Kansas, Inc., Junction City, Kansas	Central National Bank-Newton, Newton, Kansas Central Bank-Herington, Herington, Kansas	Central National Bank, Junction City, Kansas	August 29, 1994
Century Bancshares, Inc., Washington, D.C.	Second National Federal Savings Association, Salisbury, Maryland	Century National Bank, Washington, D.C.	September 16, 1994

FDICIA—Continued

Bank Holding Company	Acquired Thrift	Acquiring Bank(s)	Approval Date
The Citizens Bancorp of Hickman, Inc., Hickman, Kentucky	Security Trust Federal Savings & Loan Association, Knoxville, Tennessee	The Citizens Bank of Hickman, Hickman, Kentucky	September 16, 1994
Citizens Bancorporation, Inc., Plaquemine, Louisiana	Oak Tree Federal Savings Bank, New Orleans, Louisiana	Citizens Bank & Trust Company, Plaquemine, Louisiana	August 26, 1994
Crestar Financial Corporation, Richmond, Virginia	Second National Federal Savings Association, Salisbury, Maryland	Crestar Bank, Richmond, Virginia	September 16, 1994
First Union Corporation, Charlotte, North Carolina	Home Federal Savings Bank, Washington, D.C.	First Union National Bank of Washington, D.C. Washington, D.C.	September 2, 1994
Harbor Bankshares Corporation, Baltimore, Maryland	Second National Federal Savings Association, Salisbury, Maryland	The Harbor Bank of Maryland, Baltimore, Maryland	September 16, 1994
Mellon Bank Corporation, Pittsburgh, Pennsylvania	Second National Federal Savings Association, Salisbury, Maryland	Mellon Bank (DE) National Association, Wilmington, Delaware	September 16, 1994
Mercantile Bankshares Corporation, Baltimore, Maryland	Second National Federal Savings Association, Salisbury, Maryland	The Chestertown Bank of Maryland, Chestertown, Maryland	September 16, 1994
Mercantile Bankshares Corporation, Baltimore, Maryland	Second National Federal Savings Association, Salisbury, Maryland	Peninsula Bank, Princess Anne, Maryland	September 16, 1994
Minden Bancshares, Inc., Minden, Louisiana	Oak Tree Federal Savings Bank, New Orleans, Louisiana	Minden Bank & Trust Company, Minden, Louisiana	August 29, 1994
One American Corporation, Vacherie, Louisiana	Oak Tree Federal Savings Bank, New Orleans, Louisiana	First American Bank & Trust Company, Vacherie, Louisiana	August 26, 1994
Premier Bancorp, Inc., Baton Rouge, Louisiana	Oak Tree Federal Savings Bank, New Orleans, Louisiana	Premier Bank, N.A., Baton Rouge, Louisiana	August 26, 1994
Regions Financial Corporation, Birmingham, Alabama	Oak Tree Federal Savings Bank, New Orleans, Louisiana	Guaranty Bank & Trust Company, Baton Rouge, Louisiana	August 26, 1994

FDICIA—Continued

Bank Holding Company	Acquired Thrift	Acquiring Bank(s)	Approval Date
Second Bancorp, Inc., Warren, Ohio	TransOhio Federal Savings Bank, Cleveland, Ohio	Second National Bank of Warren, Warren, Ohio	September 16, 1994
Shoreline Financial Corporation, Benton Harbor, Michigan	Great Lakes Bancorp, A Federal Savings Bank, Ann Arbor, Michigan	Shoreline Bank, Benton Harbor, Michigan	August 30, 1994
St. Martin Bancshares, St. Martinville, Louisiana	Oak Tree Federal Savings Bank, New Orleans, Louisiana	St. Martin Bank & Trust Company, St. Martinville, Louisiana	August 26, 1994
Star Banc Corporation, Cincinnati, Ohio	TransOhio Federal Savings Bank, Cleveland, Ohio	Star Bank, National Association, Cincinnati, Ohio	September 16, 1994
UNB Corporation, Canton, Ohio	TransOhio Federal Savings Bank, Cleveland, Ohio	United National Bank & Trust Company, Canton, Ohio	September 16, 1994

Applications Approved Under Bank Holding Company Act

By the Secretary of the Board

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

Section 3

Applicant(s)	Bank(s)	Effective Date
AmSouth Bancorporation, Birmingham, Alabama	The Tampa Banking Company, Tampa, Florida	September 19, 1994
Montana Community Banks, Inc., Ronan, Montana	Community Bank-Missoula Inc., Missoula, Montana	September 27, 1994
Union Planters Corporation, Memphis, Tennessee	Commercial Bancorp, Inc., Obion, Tennessee	September 13, 1994

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
AMH Holding Company, Morehead, Kentucky	The Citizens Bancorp of Morehead, Inc., Morehead, Kentucky	Cleveland	September 2, 1994
BancOne Corporation, Columbus, Ohio BancOne Illinois Corporation, Springfield, Illinois	American Holding Co., Glencoe, Illinois	Cleveland	August 31, 1994
Bancorp Connecticut, Inc., Southington, Connecticut	Southington Savings Bank, Southington, Connecticut	Boston	August 29, 1994
Banknorth Group, Inc., Burlington, Vermont	North American Bank Corporation, Farmington, New Hampshire	Boston	September 13, 1994
CB&T Holding Corporation, New Orleans, Louisiana	City Bank & Trust, New Orleans, Louisiana	Atlanta	September 8, 1994
The Citizens Bancorp of Morehead, Inc., Morehead, Kentucky	AMH Holding Company, Morehead, Kentucky	Cleveland	September 2, 1994
CMB SOLO, Colorado Springs, Colorado	Cheyenne Mountain Bank, Colorado Springs, Colorado	Kansas City	September 6, 1994
Community Bancshares, Inc., Cornelia, Georgia	The Bank of Troup County, LaGrange, Georgia	Atlanta	September 16, 1994
Country Bancshares, Inc., Hull, Illinois	Paloma Bancshares, Inc., Paloma, Illinois	St. Louis	September 9, 1994
F & M Bancorporation, Inc., Kaukauna, Wisconsin	Union State Bank, Wautoma, Wisconsin	Chicago	September 8, 1994
Fairport Bancshares, Inc., Fairport, Missouri	The Bank of Fairport, Fairport, Missouri	Kansas City	September 7, 1994
First Citizens of Paris, Inc., Paris, Illinois	Oakland National Bank, Oakland, Illinois	Chicago	September 8, 1994
First Community Bancorp, Inc., Glasgow, Montana	First Community Bank, Glasgow, Montana	Minneapolis	September 12, 1994
First Pryor Bancorp, Inc., Pryor, Oklahoma	The First National Bank of Pryor Creek, Pryor, Oklahoma	Kansas City	September 7, 1994
FNB Bancshares, Inc., Springfield, Georgia	First National Bank of Effingham, Springfield, Georgia	Atlanta	September 9, 1994
GHB, Inc., Colorado City, Colorado	Greenhorn Valley Bank, Colorado City, Colorado	Kansas City	August 31, 1994

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Grant Park Bancshares, Inc., Grant Park, Illinois	First National Bank of Grant Park, Grant Park, Illinois	Chicago	September 16, 1994
Greensburg Bancorp, Inc., Shepherdsville, Kentucky	Peoples Bancorp of Green County, Inc., Greensburg, Kentucky	St. Louis	September 6, 1994
Heritage Bancshares, Inc., Mannington, West Virginia	First Exchange Bank, Mannington, West Virginia	Richmond	August 30, 1994
Hometown Bancorp, Inc., Milan, Tennessee	The Bank of Milan, Milan, Tennessee	St. Louis	August 31, 1994
Lakeland Bancorp, Inc., Oak Ridge, New Jersey	High Point Financial Corp., Branchville, New Jersey	New York	August 26, 1994
New Independent Bancshares, Inc., New Washington, Indiana	The New Washington State Bank, New Washington, Indiana	St. Louis	September 1, 1994
Norwest Corporation, Minneapolis, Minnesota	First National Bank of Kerrville, Kerrville, Texas	Minneapolis	September 6, 1994
Peoples Bancorp of Mt. Pleasant, Inc., Mount Pleasant, Ohio	The Peoples National Bank of Mt. Pleasant, Mount Pleasant, Ohio	Cleveland	August 31, 1994
Peoples First Corporation, Paducah, Kentucky	Libsab Bancorp, Inc., Mayfield, Kentucky	St. Louis	September 6, 1994
Peotone Bancorp, Inc., Peotone, Illinois	Westbanco, Inc., Westville, Illinois	Chicago	September 15, 1994
Southwest Bancorp, Inc., Worth, Illinois	Minooka Bancorp, Inc., Minooka, Illinois Founders Bancorp, Inc., Scottsdale, Arizona		
PFC Acquisition Corporation II, Paducah, Kentucky	Libsad Bancorp, Inc., Mayfield, Kentucky	St. Louis	September 6, 1994
Pioneer Bankshares, Inc., Fredericksburg, Texas	Pioneer II Bankshares, Inc., Dover, Delaware Pioneer National Bank, Fredericksburg, Texas	Dallas	September 14, 1994
Pioneer II Bankshares, Inc., Dover, Delaware	Pioneer National Bank, Fredericksburg, Texas	Dallas	September 14, 1994
Regions Financial Corporation, Birmingham, Alabama	American Bancshares, Inc., Monroe, Louisiana	Atlanta	September 19, 1994
Salt Creek Valley Bancshares, Inc., Laurelville, Ohio	The Salt Creek Valley Bank, Laurelville, Ohio	Cleveland	August 25, 1994
Southeastern Banking Corporation, Darien, Georgia	United Citizens Bank of Alachua County, Alachua, Florida	Atlanta	September 9, 1994
Southern Bancshares, Ltd., Carbondale, Illinois	DeSoto Bancshares, Inc., De Soto, Illinois	St. Louis	August 30, 1994

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Superior Bancorporation, Ltd., Superior, Wisconsin	Community Bank and Trust Company, Superior, Wisconsin	Minneapolis	September 19, 1994
United Bancorp of Kentucky, Lexington, Kentucky	American Fidelity Bank & Trust Company, Corbin, Kentucky	Cleveland	August 29, 1994
United Bancorporation of Wyoming, Inc., Jackson, Wyoming	Drake-Lyman Bancshares, Inc., Sheridan, Wyoming	Kansas City	September 9, 1994
ValliCorp Holdings, Inc., Fresno, California	Mineral King National Bank, Visalia, California	San Francisco	September 6, 1994
Victory Bancshares, Inc., Mount Victory, Ohio	The Mt. Victory State Bank, Mount Victory, Ohio	Cleveland	August 31, 1994
Village Investment Company, Libertyville, Iowa	Libertyville Savings Bank, Libertyville, Iowa	Chicago	September 16, 1994

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Banco Santander, S.A., Santander, Spain	to engage *de novo* in: (1) providing investment and financial advisory services, and (2) alone or in combination with such services, engaging in securities brokerage activities	New York	September 9, 1994
First Bank Shares of the South East, Inc., Alma, Georgia	Resource Financial Services, Inc., Alma, Georgia	Atlanta	September 22, 1994
Norwest Corporation, Minneapolis, Minnesota	Michigan National Bank, Southfield, Michigan	Minneapolis	September 20, 1994
Regions Financial Corporation, Birmingham, Alabama	Oak Tree Federal Savings Bank, New Orleans, Louisiana	Atlanta	August 26, 1994
UJB Financial Corp., Princeton, New Jersey	Palisade Savings Bank, FSB, Ridgefield Park, New Jersey	New York	August 26, 1994
United Bancorp of Kentucky, Lexington, Kentucky	Harlan Federal Bank, a Federal Savings Bank, Harlan, Kentucky	Cleveland	August 29, 1994

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
King Bancshares, Inc., Kingman, Kansas	Turon Banc Shares, Inc., Turon, Kansas	Kansas City	August 31, 1994
Norwest Corporation, Minneapolis, Minnesota	Alexandria Securities and Investment Company, Alexandria, Minnesota Community State Bank of Alexandria, Alexandria, Minnesota	Minneapolis	September 8, 1994

Applications Approved Under Bank Merger Act

By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Bank of Fresno, Fresno, California	Mineral King National Bank, Visalia, California	San Francisco	September 6, 1994
Crestar Bank, Richmond, Virginia	Second National Federal Savings Association, Salisbury, Maryland	Richmond	September 16, 1994
Old Kent Bank, Elmhurst, Illinois	Merchandise National Bank, Chicago, Illinois EdgeMark Bank-Lombard, Lombard, Illinois EdgeMark Bank-Rosemont, Rosemont, Illinois	Chicago	September 14, 1994

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.

Board of Governors of the Federal Reserve System v. MacCallum, No. 94 Civ. 5652 (WK) (S.D. New York, filed August 3, 1994). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On August 3, 1994, the court issued an order temporarily restraining the transfer or disposition of the individual's assets. The order was amended and continued by stipulation pending a hearing scheduled for October 4, 1994.

National Title Resource Agency v. Board of Governors, No. 94–2050 (8th Cir., filed April 28, 1994). Petition for review of Board's order, issued under section 4 of the Bank Holding Company Act, approving the application of Norwest Corp., Minneapolis, Minnesota, to acquire Double Eagle Financial Corp., Phoenix, Arizona, and its subsidiary, United Title Agency, Inc., and thereby engage in title insurance agency activities and real estate settlement services (80 *Federal Reserve Bulletin* 453). The Board's brief was filed July 7, 1994.

Scott v. Board of Governors, No. 94–4117 (10th Cir.), filed April 28, 1994. Appeal of dismissal of action against Board and others for damages and injunctive relief for alleged constitutional and statutory violations caused by issuance of Federal Reserve notes.

Beckman v. Greenspan, No. CV 94-41-BCG-RWA (D. Mont., filed April 13, 1994). Action against Board and others seeking damages for alleged violations of constitutional and common law rights. The Board's motion to dismiss was filed May 19, 1994.

DLG Financial Corp. v. Board of Governors, No. 94-10078 (5th Cir., filed January 20, 1994). Appeal of district court dismissal of appellants' action to enjoin the Board and the Federal Reserve Bank of Dallas from taking certain enforcement actions, and for money damages on a variety of tort and contract theories. The case was consolidated on appeal with *Board of Governors v. DLG Financial Corp.*, Nos. 93-2944 and 94-20013 (5th Cir., filed December 14, 1993 and December 31, 1993), an appeal of a temporary restraining order and a preliminary injunction obtained by the Board freezing assets of a corporation and an individual pending administrative adjudication of civil money penalty assessments by the Board. On August 15, 1994, the court of appeals affirmed both the asset freeze order obtained by the Board and the district court's dismissal of plaintiffs' claims.

Richardson v. Board of Governors, et al., No. 94-4020 (10th Cir.), filed January 14, 1994. Appeal of dismissal of action against Board and others for damages and injunctive relief for alleged constitutional and statutory violations caused by issuance of Federal Reserve notes. The Board's brief was filed June 3, 1994.

Scott v. Board of Governors, No. 94-0104 (D. D.C., filed January 21, 1994). Petition for review of a Board order approving the application of Society Corporation, Cleveland, Ohio, to merge with KeyCorp, Albany, New York (80 *Federal Reserve Bulletin* 253 (1994)). On July 29, 1994, the Board filed a motion to dismiss.

Board of Governors v. Oppegard, No. 93-3706 (8th Cir., filed November 1, 1993). Appeal of district court order ordering appellant Oppegard to comply with prior order requiring compliance with Board prohibition and civil money penalty orders. Oral argument was held June 16, 1994. On July 6, 1994, the Court of Appeals affirmed the district court order.

Jackson v. Board of Governors, No. CV-N-93-401-ECR (D. Nev., filed June 14, 1993). Pro se action for violation of a prisoner's civil rights. On August 23, 1994, the court granted the Board's motion to dismiss.

Bennett v. Greenspan, No. 93-1813 (D. D.C., filed April 20, 1993). Employment discrimination action. Trial is scheduled to commence on October 4, 1994.

Adams v. Greenspan, No. 93-0167 (D. D.C., filed January 27, 1993). Action by former employee under the Civil Rights Act of 1964 and the Rehabilitation Act of 1973 concerning termination of employment. The Board's motion for summary judgment was granted in part and denied in part on September 8, 1994. Trial is scheduled to commence on November 15, 1994.

Zemel v. Board of Governors, No. 92-1056 (D. D.C., filed May 4, 1992). Age Discrimination in Employment Act case. The parties' cross-motions for summary judgment are pending.

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

FINAL ENFORCEMENT DECISIONS ISSUED BY THE BOARD OF GOVERNORS

In the Matter of

Augustus I. Cavallari

Participant in the Affairs of

Summit National Bank, N.A.,
Torrington, Connecticut

OCC No. AA-EC-92-115

Final Decision

This is an administrative proceeding pursuant to section 8(e) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. § 1818(e), in which the Office of the Comptroller of the Currency of the United States of America ("OCC") seeks to prohibit Augustus I. Cavallari from further participation in the affairs of any federally-supervised financial institution as a result of his participation in misconduct during his legal representation of Summit National Bank N.A. (insolvent), Torrington, Connecticut ("Summit" or "the Bank"). As required by the FDI Act, the proceeding has been referred to the Board of Governors of the Federal Reserve System ("Board") for final decision.

The proceeding comes before the Board in the form of a Recommended Decision by Administrative Law Judge ("ALJ") Walter J. Alprin, issued following an administrative hearing held on August 2–4, 1993, in Hartford, Connecticut, and the filing of post-hearing briefs by the parties. In the Recommended Decision, the ALJ found that the OCC had proved its allegations against Cavallari and recommended that the Board order his prohibition from participation in banking.[1] Cavallari has filed exceptions to the Recommended Decision, arguing that the OCC failed to establish that he was an "institution-affiliated party" subject to administrative sanction under the FDI Act and that it failed to establish that he acted with "willful or continuing disregard" of the institution's safety or soundness, a necessary finding for imposition of a prohibition order.

Statement of the Case

A. Statutory and Regulatory Background

1. Institution-Affiliated Party

The FDI Act defines the term "institution-affiliated party" to include "any independent contractor (including any attorney, appraiser, or accountant) who knowingly or recklessly participates in:

> (A) Any violation of any law or regulation;
> (B) Any breach of fiduciary duty; or
> (C) Any unsafe or unsound practice, which caused or is likely to cause more than a minimal financial loss to, or a significant adverse effect on, the insured depository institution." 12 U.S.C. § 1813(u)(4).

2. Standards for Prohibition Order

An IAP may be prohibited from the banking industry if the appropriate Federal banking agency—here, the Board—makes three separate findings:

(1) There must be a specified type of *misconduct*—violation of law, unsafe or unsound practice, or breach of fiduciary duty;
(2) The misconduct must have a prescribed *effect*—financial gain or other benefit to the respondent or financial harm or other damage to the institution or prejudice to the institution's depositors; and
(3) The misconduct must involve *culpability* of a certain degree—personal dishonesty or willful or continuing disregard for the safety or soundness of the institution.

1. The OCC also issued against Cavallari a Notice of Charges seeking restitution and a Notice of Assessment of Civil Money Penalties that, pursuant to the statutory scheme, were referred by the ALJ to the Comptroller of the Currency for final decision. As discussed below, the Comptroller issued his decision on those charges on July 28, 1994, ordering Cavallari to pay restitution in the amount of $554,903 plus interest and to pay a civil money penalty in the amount of $83,000. OCC Decision and Orders ("OCC Dec."), No. OCC-AA-EC-92-115 (July 28, 1994).

B. The ALJ's Recommended Decision

The ALJ concluded that Cavallari acted as an IAP with respect to Summit, in that he knowingly and recklessly breached his fiduciary duty as counsel to Summit, participated in a violation of a cease and desist order against Summit, and participated in an unsafe and unsound banking transaction that caused loss to Summit. Recommended Decision ("RD") 25–37.

The OCC's charges in this case stem from legal work performed by Cavallari from January through May 1991 in connection with the restructuring and renewal of two non-performing loans Summit made in 1988 to Winthrop Broadcasting Corporation ("Winthrop"). In the restructuring, Summit agreed to release five Winthrop officers and shareholders (the "Winthrop Guarantors") from their personal guarantees of the Winthrop loans in return for the corporate guarantee of another corporation, Comko, Ltd. ("Comko"), owned by individuals who had a business or family relationship with the Winthrop guarantors, and a security interest in radio equipment owned by Comko. Following the restructuring and renewal, the Winthrop loans again went into default. Comko's guarantee was essentially worthless; Comko was nearly insolvent at the time the guarantee was given, and has since gone out of business. In the course of his representation of Summit, Cavallari had advised the Bank that the exchange of guarantees was in the Bank's best interests, but had done nothing to ascertain the relative value of the guarantees that were the subject of the exchange.

The ALJ found that Cavallari drafted the releases of the original Winthrop Guarantors and participated in the preparation of the security agreement and loan renewal, was involved in several meetings and telephone calls in which negotiations had taken place and had billed Summit for "negotiations," and had recommended, both orally and in writing, that Summit engage in the release and the renewal as being in Summit's best interests. RD 27–28. The ALJ rejected Cavallari's arguments that he had been merely a "transactional attorney," as opposed to a regulatory or in-house counsel, and that his role in the transactions had been so limited that Cavallari did not meet the statutory standard for an IAP. *Id.* The ALJ found that Cavallari had not acted merely imprudently or based upon a good-faith mistake, but had participated both knowingly and recklessly in the transactions, thereby satisfying the test for institution-affiliated party. RD 37.

The ALJ found that the misconduct required for a prohibition order had been established in that Cavallari's written and oral advice favoring the release of the guarantors in exchange for the Comko guarantee without assessing the strength of either Comko or the Winthrop Guarantors,[2] and his participation in the loan modifications, constituted unsafe or unsound practices, a breach of fiduciary duty as counsel and a violation of a final order to cease and desist.[3] RD 44. The exchange of loan guarantors from the Winthrop Guarantors to Comko had the effect of denying Summit recovery from the personal assets of the Winthrop Guarantors, who had had at the time the loans were made a collective net worth of $16 million. RD 34. In return for giving up any recovery against the Winthrop Guarantors, Summit received a guarantee from Comko, which at that time had a negative net worth. RD 34. The ALJ found that Cavallari's failure to review the relevant financial information on either side of the transaction before advising Summit's president that the exchange was in the Bank's best interest constituted participation in an unsafe and unsound practice. RD 35.

The ALJ found that the second requirement for prohibition, the effect of the misconduct, had been satisfied by the losses Summit sustained as a result of the substitution of the worthless Comko guarantee for the individual guarantees of the Winthrop Guarantors. RD 36, 45. Accepting the appraisals of the collateral offered by the OCC, the ALJ found that, after deducting the value of that collateral, Summit lost $554,903 on the Winthrop loans. RD 45.

The ALJ also found that Cavallari's conduct exhibited willful and continuing disregard for safety or soundness, meeting the culpability test for prohibition. RD 45–46. The ALJ found that conclusion supported by Cavallari's failure to review Comko's or Winthrop's financial statements, failure to determine with certainty whether the Winthrop Guarantors were subject to litigation or risked having their assets attached, failure to review the cease and desist orders against Summit that Cavallari knew existed, and general failure to act as responsible counsel to Summit. *Id.*

2. The ALJ noted that Cavallari based his advice, in part, on the impression that the Winthrop Guarantors were subject to "a great deal of litigation" casting doubt on their ability to perform on their guarantees, when in fact Cavallari had no independent knowledge that the individuals were involved in litigation, and did not personally review the Guarantors' financial statements. RD 30.

3. The ALJ found that Cavallari's participation in the exchange of the guarantees for the Winthrop loans constituted participation in the violation of a July 16, 1990 OCC temporary cease and desist order that prohibited Summit from making extensions of credit to certain identified individuals and their "related interests." RD 33, 36. The ALJ found that the exchange of guarantees constituted a new extension of credit to Winthrop and Comko, related interests of the individuals who were the subjects of the cease and desist order. RD 33. The ALJ rejected Cavallari's argument that he did not know the terms of the order, noting that Cavallari conceded knowledge of the existence of the order and made no attempt to learn its terms. RD 33.

C. Cavallari's Exceptions to the Prohibition Recommendation

As his exceptions relate to the case for prohibition, Cavallari attacks both the legal and factual findings by the ALJ. First, he argues that as a transactional attorney who gave advice in good faith, he does not meet the statutory definition of an IAP. He excepts to the ALJ's finding that Summit relied on his advice in releasing the guarantees, arguing that the negotiations as to the release were conducted prior to his involvement in the transaction. He argues that he was not responsible for valuing the existing and proposed security for the loans, and that his advice that the transaction was in the best interests of the Bank was based on information provided to him by the Bank's president, Raymond Cordani, and its senior vice president, Paul Kolok. Thus, he claims he did not "participate" in any unsafe or unsound practice.

Cavallari also contests the "loss" associated with the exchange of guarantees. He argues that it was improper for the ALJ to assume that the net worths of the Winthrop Guarantors had remained in 1991 at the high levels documented at the time the loans were made in 1988, and that the FDIC is responsible for part of the loss because of its failure to take appropriate collection action.

Finally, Cavallari argues without elaboration that his involvement in the transaction did not meet the standard of "willful or continuing disregard" required for a prohibition order.

Cavallari also excepts to the numerous rulings by the ALJ allowing evidence into the record over Cavallari's objections that it was irrelevant, hearsay, unauthenticated, beyond the scope of direct examination, or beyond the witness's knowledge or expertise. Similarly, Cavallari excepts to the ALJ's exclusion of testimony sought by Cavallari on grounds of relevance.

D. The Comptroller's Decision

In his Decisions and Order, the Comptroller of the Currency[4] first determined that Cavallari was an institution-affiliated party. He found that the failure to assess the financial condition of the Winthrop Guarantors and Comko prior to the exchange of guarantees was "contrary to accepted standards of banking operation and resulted in abnormal risk of loss to the

4. The term "Comptroller" is used to denote the agency head who is charged with making the final decision in enforcement cases, as opposed to the "OCC" generally, which comprises, *inter alia*, the agency's Enforcement and Compliance Division, which prosecuted this case.

Bank," making it an unsafe and unsound practice. Defining "reckless" to mean "something more than simple carelessness and something less than premeditated malice," the Comptroller found that Cavallari's participation in this unsafe or unsound practice was "reckless" for purposes of the definition of institution-affiliated party. Because Winthrop itself had no capacity to pay its loans, and Comko had large operating losses and minimal net worth at the time of the exchange of guarantees, while the individual Winthrop Guarantors had previously had a combined net worth in excess of $16 million, the Comptroller found that it was likely that the exchange of guarantees would result in "more than a minimal financial loss" to Summit. Accordingly, the Comptroller found Cavallari to be an IAP. OCC Dec. 11–13, 15.

On the basis of these findings, the Comptroller found that the statutory preconditions to the imposition of a civil money penalty and a restitution order were met.[5] After reviewing the statutory factors, the Comptroller imposed a civil money penalty of $83,000 and required Cavallari to pay restitution in the amount of $554,903.

Findings and Conclusions

Upon review of the administrative record and the Decision and Orders of the Comptroller of the Currency in the parallel restitution and civil money penalty cases, of which the Board takes official notice, the Board hereby makes its Final Decision, and adopts the ALJ's Recommended Decision, Recommended Findings of Preliminary Fact and Recommended Conclusions of Law, except as specifically supplemented or modified herein. The Board therefore determines that the attached Order of Prohibition shall issue against Cavallari, prohibiting him from future participation in the affairs of any federally-supervised financial institution without the approval of the appropriate supervisory agency.

A. Procedural Issues

The Board denies Cavallari's exceptions to the ALJ's procedural rulings. The ALJ is generally vested with "all powers necessary to conduct a proceeding in a fair and impartial manner and to avoid unnecessary delay." 12 C.F.R. 19.5(a). More specifically, the ALJ is vested with the power "to consider and rule upon all procedural and other motions [other than granting a motion to dismiss] appropriate in an adjudicatory proceeding." 12 C.F.R. 19.5(b)(7). An ALJ's evidentiary rulings therefore are generally accorded deference in the absence of an abuse of discretion or manifest unfairness. Upon review of the ALJ's evidentiary rulings, the Board finds no such abuse of discretion or manifest unfairness and denies each of Cavallari's exceptions to the hearing procedure.[6]

B. Findings of Fact

1. Relevant Individuals and Business Entities

a. Summit National Bank. At all times relevant to this proceeding, Summit was a national banking association, chartered and examined by the OCC. During the period from December 11, 1990 to March 12, 1991, Summit's condition was poor and its capital base was approximately $6,000,000. On February 3, 1992, Summit was declared insolvent by the OCC due to heavy losses sustained on problem loans.

During the relevant time period, Raymond Cordani was Summit's president and chief executive officer and Paul Kolok was senior vice president. Richard D. Barbieri, Sr. ("Barbieri") served as a consultant to Summit during and after its organization, and had recommended Cordani for his position at the Bank. Barbieri and Summit shared a lawyer, Anthony F. DiFabio, who was also a shareholder of Winthrop Broadcasting Corporation ("Winthrop").

Cavallari, a Waterbury lawyer and longtime friend of Kolok, was retained by Summit in the fall of 1990 to perform legal work including collections, workouts and foreclosures. Among the loans he worked on were two loans to Winthrop.

b. Security Savings and Loan. Barbieri was also president and chief executive officer of a thrift institution, Security Savings and Loan of Waterbury, Connecticut. John A. Corpaci was the executive vice-president of Security, and Vinal Duncan was Security's vice chair. Paul Kolok was an officer at Security before leaving for Summit in 1988. Barbieri's son, Richard D. Barbieri, Jr. ("Barbieri Jr."), was an officer at Security. Cavallari was a shareholder of Security since its incorporation in 1974 and a borrower

5. The Comptroller also found that Cavallari had violated the temporary cease-and-desist order to which Summit was subject, providing another basis for imposition of civil money penalties under 12 U.S.C. § 1818(i). Because such a violation does not appear to give rise to a prohibition order under 12 U.S.C. § 1818(e), the Board does not reach this issue.

6. Cavallari also requests oral argument on his exceptions, although it is unclear whether his request is directed to the Board or only to the Comptroller. Because the legal and factual issues have been thoroughly explained in the written submissions, the Board denies Cavallari's request for oral argument to the extent that it was directed to the Board.

from Security on numerous loans. Cavallari also performed closings and title work for Security.

On July 12, 1990, the Office of Thrift Supervision ("OTS") suspended Barbieri and Barbieri Jr. from their offices at Security and Corpaci was subsequently fired.

c. Comko, Ltd. In September 1987, Barbieri, Corpaci and Duncan acquired an AM radio station in Waterbury, Connecticut, that was later held by them through Comko, Ltd., a corporation they owned. Comko ceased operations in April 1992.

d. Winthrop Broadcasting Corporation. Barbieri, Corpaci and Duncan were interested in purchasing another radio station but were precluded from doing so by multiple ownership restrictions imposed by the Federal Communications Commission. On September 13, 1987, Winthrop Broadcasting Corporation was formed to enable six individuals who were family members and friends of Barbieri, Corpaci, and Duncan to purchase the radio station through a corporate entity.[7]

2. The Winthrop Restructuring

a. The Winthrop Loans. On September 22, 1988, Barbieri and Corpaci arranged for Summit to make Winthrop a loan of $600,000 that was used to acquire a radio station and a parcel of real estate. The loan was secured by a first mortgage on the radio station property and was guaranteed personally by five of the six family members and friends of Barbieri, Duncan, and Corpaci who were shareholders of Winthrop (the "Winthrop Guarantors").

Winthrop never was profitable and had difficulty servicing its Summit debt. On December 14, 1988, Summit granted Winthrop an additional loan of $100,000, arranged by the Barbieris and Corpaci, without security other than the personal guarantees of the Winthrop Guarantors. This loan was renewed on April 13, 1989 and again on July 12, 1989.

On July 12, 1990, OTS issued enforcement orders against Security and its principals that, among other things, immediately suspended Barbieri and Barbieri Jr. from all offices and positions at Security. Corpaci was fired by Security. Almost immediately thereafter, on July 16, 1990, the OCC issued a temporary order to cease and desist against a number of Barbieri-related banks including Summit that, among other things, prohibited Summit from making any extension of credit to Barbieri, Corpaci, Barbieri Jr., or Duncan, or their related interests, or to any person referred to the Bank by them.

After the suspension actions by the OTS in July 1990, Winthrop stopped making any payment on its two loans, then carrying principal balances totalling $614,358. In November 1990, Winthrop provided Summit with a balance sheet showing a net worth of negative $1,026,394 and an income statement showing a nine-month net loss of $375,093. At that point, the Winthrop loans were 122 days past due. On December 5, 1990, Summit sent a letter to each of the Winthrop Guarantors requesting updated and signed personal financial statements, personal tax returns for 1989, and payment of past-due interest. The Winthrop Guarantors did not comply with the requests.

b. The Restructuring Transactions. Shortly after the Winthrop Guarantors received the letters from Summit requesting financial information, Barbieri and Corpaci requested that Summit release their family members and friends from their guarantees and that the Winthrop loans be renewed into a single note with a 25-year amortization. In exchange for the release of guarantees, Barbieri and Corpaci offered to give Summit:

(1) A guarantee from Comko, which was owned by Barbieri, Corpaci and Duncan; and

(2) A security interest in the radio station equipment owned by Comko. In exchange for renewing the Winthrop loans, Barbieri and Corpaci also offered Summit a first mortgage on a parcel of real estate owned by the Barbieris, Corpaci and Duncan.

On January 25, 1991, Summit retained Cavallari to provide legal services relating to the Winthrop loans. Corpaci and Barbieri, on behalf of Winthrop and the Winthrop Guarantors as well as Comko, negotiated the restructuring deal with Kolok and Cavallari on behalf of Summit. As part of the restructuring, Cavallari agreed to act as trustee for Winthrop, Summit's debtor, to hold the real property to be mortgaged to Summit. Accordingly, on February 25, 1991, the real estate was conveyed from a trustee for the Barbieris, Corpaci, and Duncan to Cavallari, as trustee for Winthrop. The use of trustees was designed to prevent interference in the deal from creditors of Winthrop and of the individuals involved.

On February 26, 1991, Kolok and Cavallari met with Barbieri and Corpaci. Kolok and Cavallari discussed the terms of the deal with Cordani over a speaker telephone and both indicated to Cordani that the deal should go forward. Cavallari orally advised Cordani that the release of the Winthrop Guarantors in exchange for the corporate guarantee and Comko security interest was in the best interests of the Bank.

7. Barbieri Jr. was a 20 percent shareholder and president; Vinal Duncan's son was a 20 percent shareholder and vice president; Corpaci's sister was a 20 percent shareholder, treasurer and corporate secretary; a business partner of Barbieri's and Corpaci's was a 20 percent shareholder and vice-president; another Barbieri friend was a 10 percent shareholder; and DiFabio was a 10 percent shareholder.

At the time that he advised Summit that the transaction should go forward, Cavallari had not determined either the value of the guarantees Summit was releasing, or the value of the guarantees and collateral it would get in return. Specifically, although he knew that Barbieri and Corpaci sought the release of their family members' and friends' guarantees, Cavallari did not determine the net worths of the Winthrop Guarantors. In addition, although the Bank's records reflected the negative net worth of Winthrop, Cavallari did not obtain financial information relating to Barbieri and Corpaci's other Waterbury radio enterprise, Comko, whose guarantee was being substituted for that of the Winthrop Guarantors. Nor did he obtain any valuation of the radio equipment in which Summit was to receive a security interest. The record does not even reflect that Cavallari ever specifically inquired of Summit's management as to any of these issues. In short, Cavallari had absolutely no reasonable basis on which to advise that the restructuring was in the Bank's best interests.

In other ways, as well, Cavallari's actions show that he was heedless of the Bank's interests. During the February 26, 1991 meeting, Cavallari obtained a corporate guarantee from Comko that was part of the consideration for the release of the Winthrop Guarantors that was seriously defective in a number of respects.[8] In addition, Cavallari failed to obtain a security interest in the radio equipment that was to be pledged to support the Winthrop loans.[9]

Had he inquired about Comko's financials, Cavallari could have learned that Comko was nearly insolvent and was incurring large losses. Comko suffered a net loss of $292,129 in 1990, and had a net worth of $49,068 by year-end. Accordingly, Comko was incapable of servicing or retiring the Winthrop loans.

At Cordani's request, Cavallari provided him a written opinion on May 14, 1991 that the restructuring was in the best interests of the bank. The letter, which restated oral advice provided earlier by Cavallari, contained unqualified statements of fact concerning the litigation faced by the Winthrop Guarantors and the relative lack of litigation to which Comko was subject. Cavallari later testified that he based his opinion in part on the belief that the Winthrop Guarantors were judgment-proof because their personal assets had been attached as a result of litigation over guarantees they had provided to the Bank of Boston. In fact, the Winthrop Guarantors had not had property attached by the Bank of Boston.[10]

On or about April 30, 1991, Cavallari conveyed the real estate he was holding as trustee to Winthrop, which subsequently granted Summit a first mortgage on the property in consideration of Summit's renewal of Winthrop's loans. At the same time, the Winthrop loans were combined into a single note with a five-year maturity that was drafted by Cavallari. The amortization schedules of the two original notes were extended[11] and the interest rates reduced.[12] The renewal had the effect of dramatically reducing the monthly amount due on the loans (from almost $11,000 to approximately $5,500) and of changing the status of the loans from seriously past due to "current." Summit's renewal of the Winthrop loans was not supported by any new financial information regarding Winthrop, and was not approved by Summit's loan committee or by the board of directors. The renewal of the loans contributed to the postponement of the liquidation of the collateral securing the loans during a time when the market for the collateral was declining, and made Winthrop's unencumbered assets available to other creditors.

Winthrop defaulted on the renewed note after making three payments, the last on February 3, 1992, each of which was late and consisted only of interest due, and not principal. At that time the principal balance was $614,358, with an accrued interest of $12,663. Winthrop thereafter continued to sustain losses and remained insolvent, while Comko continued to sustain losses and went out of business.

After February 3, 1992, the OCC declared Summit insolvent and appointed the FDIC as receiver. As of July 19, 1992, the principal balance due on the Winthrop loans was $596,775 and the accrued interest was $172,464.[13] The ALJ found that the FDIC had not received any additional recoveries on the loans from

8. The guarantee was not dated, did not state whose loans were being guaranteed, did not state which institutions held the loans being guaranteed, did not state the original or outstanding balances of the loans being guaranteed, did not refer accurately to the second loan, was not supported by a corporate resolution from Comko authorizing the guarantee, was not notarized, and did not contain the signature of any witness.

9. The technical defects in the Comko guarantee were remedied when Corpaci's attorneys provided Cavallari with a new corporate guarantee dated March 15, 1991 and a security interest in the Comko radio equipment dated March 16, 1991. The record does not reflect whether these corrections were due to any efforts on Cavallari's part.

10. In his Exceptions, Cavallari argues that this advice related primarily to the legal issue of whether the guarantee was enforceable against Comko and whether Summit's security interest in Comko's property was properly filed. The text of the opinion letter, which in his testimony Cavallari characterized as a "business opinion," does not support this argument; rather, the subject of the letter is whether the exchange of guarantees "was in the best interest of the bank."

11. The amortization schedule on the $600,000 note was extended from 8 to 25 years, and on the $100,000 note from past due to 25 years.

12. The interest rates were reduced from 13 and 13.5 percent respectively to escalating rates of 10, 11 and 11.5 percent over 5 years.

13. The FDIC applied the three payments made following the renewal to principal.

any additional source, and did not expect to receive any such recoveries in the future.

3. Cavallari's Prior Involvements with Barbieri and Kolok

Cavallari came to the Winthrop restructuring transaction with a significant amount of information about the various parties involved in the transaction. He himself had been involved in a previous nominee arrangement with Barbieri and Kolok, and was aware of certain allegations concerning Comko's principals from his representation of Summit in another matter. These involvements, detailed below, provided Cavallari with a background that should have made him aware of the need for caution by the Bank in going forward with the restructuring.

a. Gaston Farms and Arlington Partnership. In 1987 and early 1988 Barbieri, on behalf of Security, arranged for a Security subsidiary to act as a joint venture partner with a real estate developer in connection with two real estate transactions known as Gaston Farms and Arlington Partnership. When the Security board of directors denied permission for the subsidiary to participate due to prior regulatory criticism, Barbieri, concerned about the thrift's liability for backing out of its commitment, instructed Kolok to seek a nominee to act as the joint venture partner with the developer. Cavallari, a longtime friend of Kolok, agreed to be that nominee. Cavallari and Kolok entered into nominee agreements, dated November 3, 1987 and January 14, 1988, respectively, whereby Cavallari agreed to execute all necessary public and bank documents for the project, and Kolok agreed to hold Cavallari harmless for any resulting liability. In accordance with the nominee agreements, Cavallari obtained loans from Security to finance the joint ventures without disclosing the existence of the nominee agreements to Security's board of directors, even though at Security's request he provided an opinion letter from another lawyer regarding the enforceability of the loan agreements against him. Cavallari testified that his own financial picture was insufficient to justify the loans made to him, and that he agreed to engage in the nominee arrangements in the hope of receiving additional legal work from Security.

After the Arlington Partnership project experienced difficulties, Cavallari met with Barbieri in May 1990 and asked to be released from his obligation on Security's \$1.8 million loan to the joint venture. Barbieri, then president and CEO of Security, suggested ways for Cavallari to negotiate with Security for a release from his obligation. After Barbieri was suspended from Security on July 12, 1990, an attorney for Security wrote Cavallari in September 1990 stating that Security had never approved the arrangement and that Cavallari was still responsible on the \$1.8 million loan.[14]

In December 1990, Cavallari was deposed by the OTS as part of its investigation of the Security principals. The deposition focused on the Arlington Partnership and Gaston Farms transactions and Cavallari's actions as Kolok and Barbieri's nominee in those transactions. At the deposition, the OTS lawyer specifically suggested that Cavallari's actions on behalf of Barbieri and Kolok constituted a fraud on Security.

b. Victoria Court. Victoria Court was a real estate project in Waterbury owned by a number of individuals financed with loans from the Bank of Boston in which Summit participated. The loans were supported by personal guarantees of the principals, including Barbieri, Corpaci and Duncan. In September 1990, Cavallari was retained by Summit to represent its interests with respect to the Victoria Court loans, which had become troubled. On September 19, 1990, Cavallari attended a meeting with Kolok at the Bank of Boston offices to discuss Victoria Court. Four debtors, including Barbieri and Corpaci, were present. In his subsequent memorandum describing the meeting, Cavallari noted that many of the debtors faced regulatory and criminal problems and that the Bank of Boston attorney had stated that several fraudulent transfers had been made to family members of the guarantors.

C. Conclusions of Law

1. Institution-Affiliated Party

The Board's determination whether Cavallari is an IAP is not made on a clean slate; the IAP issue is common to this case and to the parallel OCC proceeding seeking the remedies of restitution and civil money penalties against Cavallari. The Board takes official notice that the Comptroller of the Currency has adopted the ALJ's finding that Cavallari is an IAP. OCC Dec. at 9–14. Rather than readdress those issues, the Board defers to and incorporates the conclusion of the Comptroller, Summit's primary regulator, as to the IAP determination.[15]

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14. At the time Security was declared insolvent and closed, much of the \$1.8 million loan was still outstanding. Cavallari was ultimately sued by the Resolution Trust Corporation in October 1991 as receiver for Security for a \$950,000 deficiency on the loan. It is unclear what actions, if any, Cavallari took to enforce Kolok's obligations under the nominee agreement.

15. In his Brief in support of his Exceptions, Cavallari argues that he is not an IAP on the basis of the legislative history of the definition of that term. It is true that the legislative history provides that Congress did not "intend to subject attorneys to agency enforcement actions for those good faith activities falling within the traditional attorney-client

The Board therefore adopts the ALJ's recommended findings and conclusions as to the IAP determination to the same extent, and for the same reasons, as the Comptroller. The Board accordingly concludes that Cavallari acted as an IAP of Summit in his participation in the exchange of the Comko guarantee and security for those of the Winthrop Guarantors, in that he at least recklessly participated in an unsafe or unsound practice which caused loss to Summit. His conduct therefore satisfied the definitional standards under which an independent contractor such as an outside counsel may be found to have acted as an IAP. 12 U.S.C. § 1813(u)(4).[16]

2. Substantive Basis for Prohibition

a. Misconduct. The Board adopts the ALJ's finding that Cavallari's participation in the transaction by which the Winthrop Guarantors were released from their obligations constituted participation in an unsafe or unsound banking practice.[17] For the reasons identified above, Summit's release of the individual guarantors in exchange for the Comko guaranty and security interest, with no assessment of the relative prospects of recovery, constituted a banking practice so imprudent, under the circumstances, as to constitute an unsafe and unsound banking practice.[18] Cavallari was Summit's sole counsel in the consummation of that transaction, and rendered a written opinion to Bank management—that he admitted simply memorialized advice previously given at the time of the transaction—that the exchange of guarantors was in the best interests of the Bank. As the ALJ found, this constituted participation in an unsafe or unsound practice.

b. Effects. The Board adopts the ALJ's conclusion that Summit sustained financial loss as a result of the exchange of guarantors that satisfies the requirements of 12 U.S.C. § 1818(e)(1)(B)(i). The ALJ found that Summit sustained a loss of $554,904 as a result of the transactions, after applying the appraised value of the collateral. The Board adopts these findings as to the existence of financial loss, and rejects Cavallari's arguments that the loss is partly due to inaction by the FDIC.[19]

c. Culpability. The Board adopts the ALJ's finding that Cavallari's participation in the exchange of guarantors reflects willful disregard for safety or soundness satisfying the criteria of 12 U.S.C. § 1818(e)(1)(C)(ii).[20]

"Willful disregard for safety or soundness" is not defined in the FDI Act. Previously, the Board has found that " 'willful disregard for safety or soundness' is established by *intentional conduct* that constitutes an unsafe or unsound banking practice . . . ." *In the Matter of Magee*, 78 *Federal Reserve Bulletin* 968, 974 (1992) (emphasis added). This is consistent with the definition adopted by the OTS in a series of cases interpreting the phrase.

> Willful disregard for the safety or soundness of an insured institution is established when an individual (a) purposely, as opposed to accidentally, commits an act and that act evidences neglect or lack of thoughtful attention to the institution's safety or soundness, or (b) acts with plain indifference to the institution's safety and soundness. *See In re Kim*, OTS Order No. AP 93-30, 22-23 (Apr. 15, 1993) [appeal pending, No. 93-70425 (9th Cir., filed May 6, 1993)].

In re Lopez, OTS Order No. AP 92-74 (May 17, 1994), at 37 n. 68.

In the Board's view, this definition correctly sets out the meaning of the statutory phrase. Willful *disregard* for safety and soundness is different than willful *par-*

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relationship," and that "providing advice in good faith to a client financial institution, by itself, should not lead to an enforcement action." H.R. Rep. No. 54, 101st Cong., 1st Sess. 467 (1989). Nevertheless, the unique facts of this case — specifically, Cavallari's personal knowledge of facts that should have given rise to greater caution on behalf of the Bank — are sufficient to support a finding that Cavallari's services regarding the exchange of guarantors on the Winthrop loan were not provided in good faith. Thus, Cavallari is not the kind of attorney the legislative history states should be protected from agency enforcement actions.

16. Even if the Board were required to make a wholly separate determination as to the IAP issue, the conclusion would be the same. The Board's conclusions as to the substantive requirements for prohibition, *infra*, establish that Cavallari participated recklessly in an unsafe or unsound practice that caused loss to Summit.

17. The Board agrees with the Comptroller that there is no evidence in the record regarding the appropriate standard of care, and thus does not adopt the ALJ's findings that Cavallari's actions also constituted a breach of his fiduciary duty to the Bank. With regard to the ALJ's finding that Cavallari violated the final cease-and-desist order imposed by consent against Summit on April 25, 1991, the Board notes that by the time that order was issued, the exchange of guarantees in which Cavallari had participated was completed. Accordingly, the Board does not adopt the ALJ's finding that Cavallari violated the final cease-and-desist order issued against Summit.

18. *See First Nat'l Bank of Eden v. Comptroller of the Currency*, 568 F.2d 610, 611 n.2 (8th Cir. 1978) (*per curiam*) (unsafe or unsound banking practice is a practice "deemed contrary to accepted standards of banking operations which might result in abnormal risk or loss to a banking institution or shareholder").

19. Cavallari argues that the FDIC might have sued Winthrop as the primary obligor on the loans, or Comko as guarantor. The evidence of those companies' financial condition (Comko is no longer in business, and Winthrop was insolvent in 1991) suggests that such action would not have substantially reduced Summit's losses.

Moreover, even if one does not accept the ALJ's assumption that the Winthrop Guarantors' net worths were unchanged from their earlier levels of roughly $16 million, it is reasonable to assume that the net worths of the five guarantors exceeded the financial strength of Comko, which the ALJ found had a negative net worth, and thus that the exchange of guarantees resulted in a "more than minimal" amount of loss to Summit. This is all that is needed to support a finding of IAP status and of "effects" for purposes of a prohibition order.

20. The Board does not reach the issue of whether Cavallari's actions constituted "continuing" disregard.

ticipation in an unsafe or unsound transaction. One certainly disregards an institution's safety and soundness when one is simply oblivious to it. To deliberately and consciously take part in an action that evidences utter lack of attention to an institution's safety and soundness is to willfully disregard that institution's safety and soundness.

That standard is certainly met by the facts of this case. Here, the record shows that Cavallari provided an opinion that the substitution of guarantors on the Winthrop loans was in the best interests of the Bank without undertaking any independent inquiry into the basic facts of the transaction: the current financial condition of the current and new guarantors and the value of the new collateral.

Moreover, even if no independent inquiry had been conducted, Cavallari had actual knowledge based on past dealings with individuals involved that should have put him on notice that the transaction was not in fact fair to the Bank or that, at a minimum, the representations of Bank management and those negotiating on behalf of the borrower regarding the loan restructuring should have been viewed with suspicion. Cavallari had reason to know that Barbieri, who negotiated the Winthrop/Comko transactions on behalf of the borrowers, had been terminated from his position at Security and was the subject of regulatory scrutiny. He knew that Barbieri and the other owners of Comko faced financial, regulatory and criminal problems. He knew from his dealings in the Arlington Partnership transaction that Barbieri and Kolok were willing to put the financial institution for which they worked at risk without its knowledge, and he was aware that Kolok was purporting to represent Summit in negotiations with his former boss, Barbieri, in the Winthrop/Comko transaction. He was aware of the accusation of the Bank of Boston attorneys regarding fraudulent transfers to family members by the Victoria Court guarantors, a group that included Barbieri, Corpaci and Duncan, and he knew that in the Winthrop/Comko transaction Barbieri and Corpaci were seeking the release of their own family members and friends. He was aware that Summit, which had business dealings with Barbieri and whose management was connected with him, was subject to a cease and desist order by the OCC, an order whose contents he never inquired into. He was aware that other transactions in which he had engaged with Barbieri and Kolok were being investigated by the OTS, and that OTS attorneys had suggested that they might be fraudulent. He had reason to know that the persons whose property had been attached by Bank of Boston as a result of the Victoria Court problems were not the Winthrop Guarantors, as he testified in an attempt to rationalize their release from the guarantees, but instead included Barbieri, Corpaci and Duncan, the individuals behind Comko.[21] Cavallari admitted to acting as a trustee for Winthrop in the conveyance of real estate as a means of avoiding attachment by creditors.

For all of these reasons, Cavallari unavoidably was on notice that the exchange of guarantees was a hazardous undertaking for Summit, since Summit gave up rights to pursue immediate recovery against individuals whose net worth Cavallari did not ascertain in return for a guarantee from a corporation owned by individuals who Cavallari knew were in financial, regulatory and criminal trouble. It is not enough, given all of Cavallari's knowledge, including knowledge of Kolok's previous dealings with Barbieri, for Cavallari to claim that he was simply acting on the information and decisions conveyed to him by Kolok. Cavallari's failure to obtain any information about the relative value of security interests being exchanged, and to require a security interest in Comko's radio equipment at the time of the release of the Winthrop Guarantors, demonstrates more than mere negligence. It evidences a willingness to turn a blind eye to Summit's interests in the face of known risks. Substantial evidence supported the ALJ's conclusion that Cavallari's actions were not in the realm of good faith negligence, but reflected a willful disregard of the Bank's safety and soundness.

Conclusion

For the foregoing reasons, the Board orders that the attached Order of Prohibition issue against Cavallari.

By Order of the Board of Governors, this 26th day of September, 1994.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
Secretary of the Board

21. Cavallari was retained to represent Summit's interests in Victoria Court and therefore was on notice that the Bank of Boston litigation over Victoria Court resulted in the attachment of the personal property of the individuals who owned Comko, *not* the Winthrop Guarantors, as he professed to believe.

Order of Prohibition

WHEREAS, pursuant to section 8(e) of the Federal Deposit Insurance Act, as amended (the "Act") (12 U.S.C. § 1818(e)), the Board of Governors of the Federal Reserve System ("the Board") is of the opinion, for the reasons set forth in the accompanying Final Decision, that a final Order of Prohibition should issue against AUGUSTUS I. CAVALLARI;

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to sections 8(e) and 8(j) of the Federal Deposit Insurance Act, as amended (12 U.S.C. §§ 1818(e) and 1818(j)), that:

1. In the absence of prior written approval by the Board, and by any other Federal financial institution regulatory agency where necessary pursuant to section 8(e)(7)(B) of the Act (12 U.S.C. § 1818(e)(7)(B)), AUGUSTUS I. CAVALLARI is hereby prohibited:
   (a) From participating in the conduct of the affairs of any bank holding company, any insured depository institution or any other institution specified in subsection 8(e)(7)(A) of the Act (12 U.S.C. § 1818(e)(7)(A));
   (b) From soliciting, procuring, transferring, attempting to transfer, voting or attempting to vote any proxy, consent, or authorization with respect to any voting rights in any institution described in subsection 8(e)(7)(A) of the Act (12 U.S.C. § 1818(e)(7)(A));
   (c) From violating any voting agreement previously approved by the appropriate Federal banking agency; or
   (d) From voting for a director, or from serving or acting as an institution-affiliated party as defined in section 3(u) of the Act (12 U.S.C. § 1813(u)), such as an officer, director, or employee.

2. This Order, and each provision hereof, is and shall remain fully effective and enforceable until expressly stayed, modified, terminated or suspended in writing by the Board.

This Order shall become effective upon the expiration of thirty days after service is made.

By Order of the Board of Governors, this 26th day of September, 1994.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
Secretary of the Board

In the Matter of

MCORP
Dallas, Texas

and

MCORP MANAGEMENT, INC.
Dallas, Texas

Docket No. 88–062-B2-HC

Order Dismissing Notice of Charges and of Hearing

On March 30, 1989, the Board of Governors of the Federal Reserve System (the "Board of Governors") issued a Notice of Charges and of Hearing (the "Notice") pursuant to sections 8(b)(1) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (12 U.S.C. §§ 1818(b)(1) and (3)), and section 5(b) of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1844(b)), against MCorp, a registered bank holding company, and MCorp Management, a nonbank subsidiary of MCorp. The Notice alleged that the respondents engaged in certain violations of law and unsafe and unsound practices in connection with their activities within the jurisdiction of the Board of Governors.

On June 28, 1994, the United States Bankruptcy Court for the Southern District of Texas, Houston Division, entered an order confirming a bankruptcy plan in *In re MCorp Financial, Inc., MCorp Management, and MCorp,* Civil Action No. 93–395, jointly administered cases under Chapter 11 of the United States Bankruptcy Code. The plan confirmed by the bankruptcy court incorporated a settlement agreed to by the Federal Deposit Insurance Corporation ("FDIC") as a creditor in the bankruptcy proceeding. Pursuant to the settlement and bankruptcy plan, the FDIC received, *inter alia,* a cash payment from the bankruptcy estate as recovery for its claims in the bankruptcy action, including claims that were based on the same transactions that are at issue in the Notice. In addition, neither MCorp, MCorp Management, nor any successor entities will survive the bankruptcy proceeding as a bank holding company, and there appears to be no further supervisory purpose in continuing with this enforcement action.

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to section 8(b) of the Federal Deposit Insurance Act, as amended (12 U.S.C. § 1818(b)) that:

1. The Notice issued in this matter on March 30, 1989 is dismissed, with prejudice; and
2. The provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors, or any federal or state agency or department, from

taking any other action affecting MCorp or MCorp Management, or any of their current or former institution-affiliated parties.

By Order of the Board of Governors of the Federal Reserve System effective this 21st day of September, 1994.

Board of Governors of the Federal Reserve System

WILLIAM W. WILES
Secretary of the Board

FINAL ENFORCEMENT ORDERS ISSUED BY THE BOARD OF GOVERNORS

First Bank of Philadelphia Philadelphia, Pennsylvania

The Federal Reserve Board announced on September 2, 1994, the issuance of a Prompt Corrective Action Directive by Consent against First Bank of Philadelphia, Philadelphia, Pennsylvania.

State Bank of India Bombay, India

The Federal Reserve Board announced on September 22, 1994, the issuance of a Cease and Desist Order against the State Bank of India, Bombay, India.

WRITTEN AGREEMENTS APPROVED BY FEDERAL RESERVE BANKS

National Bank of Greece Athens, Greece

The Federal Reserve Board announced on September 14, 1994, the execution of a Written Agreement among the National Bank of Greece, Athens, Greece, and its branches in Boston and Chicago, the Federal Reserve Banks of New York, Boston, and Chicago, the Commissioner of Banks for the Commonwealth of Massachusetts, and the Federal Deposit Insurance Corporation.

Financial and Business Statistics

CONTENTS

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

GENERAL INFORMATION

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1993		1994		1994				
	Q3	Q4	Q1	Q2	Apr.	May	June	July	Aug.
Reserves of depository institutions[2]									
1 Total	12.5	14.2	3.1	−4.4	−5.1	−8.4	−4.0	2.2	−6.0
2 Required	12.4	14.1	2.5	−3.6	−8.9	−3.8	−8.0	2.2	−4.0
3 Nonborrowed	11.0	15.6	3.7	−5.4	−6.4	−9.9	−6.7	−.3	−6.3
4 Monetary base[3]	10.6	9.8	10.2	8.4	6.6	7.6	7.7	8.1	6.3
Concepts of money, liquid assets, and debt[4]									
5 M1	12.0	9.4	6.0	1.9	−1.4	1.9	3.7	7.6	−1.6
6 M2	2.5	2.3	1.9	1.9[r]	2.9[r]	1.3[r]	−2.2[r]	4.6[r]	−2.0
7 M3	1.1	2.6	.3[r]	.5	2.7[r]	−.4[r]	.0[r]	6.1[r]	−1.9
8 L	1.0	2.0	2.4	1.0	4.6[r]	.0[r]	−1.9[r]	7.2	n.a.
9 Debt	5.6[r]	4.9[r]	5.3[r]	5.4[r]	5.5[r]	4.9[r]	3.4[r]	2.5	n.a.
Nontransaction components									
10 In M2[5]	−1.6	−.8	.0	2.0[r]	4.9[r]	1.1[r]	−5.0[r]	3.1[r]	−2.2
11 In M3 only[6]	−6.5	4.0	−8.4[r]	−7.2[r]	1.9[r]	−10.6[r]	13.1[r]	14.5[r]	−1.3
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	4.9	3.6	4.3	−3.3	−3.0	−6.1	−7.7	−2.3	−2.5
13 Small time[7]	−10.6	−7.4	−5.2	.1	−2.6	6.2	6.7	5.7	15.4
14 Large time[8,9]	−7.7	−.4	−3.6	−3.3	−3.1	19.6	.4	9.2[r]	15.2
Thrift institutions									
15 Savings, including MMDAs	2.3	−.4	.5	.2	2.2	−2.2	−10.3	−9.5	−17.0
16 Small time[7]	−14.0	−9.5	−11.5	−7.4	−6.2	−7.4	−5.1	−.4	−3.2
17 Large time[8]	−4.5	−6.7	−9.3	−7.6	5.9	−27.5	6.0	14.0	−5.9
Money market mutual funds									
18 General purpose and broker–dealer	−1.8	1.2	−.1	17.7	45.1	12.0	−19.1	14.0	−2.0
19 Institution-only	−10.5	8.8	−26.7	−22.8	−2.7	−52.2	1.4	9.9	−11.2
Debt components[4]									
20 Federal	8.2[r]	6.1[r]	7.3[r]	5.5[r]	3.9[r]	4.2	4.9[r]	1.2	n.a.
21 Nonfederal	4.7[r]	4.5[r]	4.6[r]	5.3[r]	6.1[r]	5.2[r]	2.9[r]	3.0	n.a.

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

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

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

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

M2: M1 plus (1) overnight (and continuing contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker–dealer money market funds. Excludes individual retirement accounts (IRAs) 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. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of \$100,000 or more) issued by all depository institutions, (2) 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 (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker–dealer), (3) savings deposits (including MMDAs), and (4) small time deposits.

6. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. This sum is seasonally adjusted as a whole.

7. Small time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

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

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1994			1994						
	June	July	Aug.	July 20	July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	387,308	391,275	390,700	390,874	386,916	390,388	392,767	389,719	390,204	390,406
U.S. government securities[2]										
2 Bought outright—System account	349,265	349,268	348,753	348,287	349,376	348,816	349,076	348,343	348,528	348,953
3 Held under repurchase agreements	880	3,163	3,299	3,031	0	2,688	4,114	2,861	3,739	2,793
Federal agency obligations										
4 Bought outright	3,955	3,915	3,883	3,920	3,911	3,900	3,900	3,895	3,895	3,837
5 Held under repurchase agreements	93	1,047	880	2,002	0	800	996	651	807	1,413
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	69	125	26	84	38	52	13	13	25	35
8 Seasonal credit	224	367	446	378	405	420	419	440	460	476
9 Extended credit	0	0	0	1	0	0	0	0	0	0
10 Float	605	473[r]	526	406	302[r]	181	533	529	537	547
11 Other Federal Reserve assets	32,218	32,918[r]	32,888	32,765	32,884[r]	33,531	33,715	32,988	32,213	32,352
12 Gold stock	11,052	11,052	11,054	11,052	11,052	11,052	11,053	11,054	11,054	11,054
13 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	22,497	22,560	22,621	22,562	22,576	22,590	22,604	22,618	22,632	22,646
ABSORBING RESERVE FUNDS										
15 Currency in circulation	378,797	383,384	384,389	383,436	382,458	383,067	384,553	384,780	384,256	384,157
16 Treasury cash holdings	357	354	354	353	354	352	353	352	353	361
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,120	5,179	5,220	4,581	5,373	5,046	5,422	4,780	5,208	5,029
18 Foreign	192	200	188	173	182	186	191	178	182	208
19 Service-related balances and adjustments	5,889	5,912	5,551	5,791	5,815	5,707	5,578	5,491	5,556	5,514
20 Other	296	269	311	300	236	268	292	314	323	321
21 Other Federal Reserve liabilities and capital	10,781	11,232	11,187	10,872	10,780	11,315	11,292	11,063	11,095	11,229
22 Reserve balances with Federal Reserve Banks[3]	26,443	26,375[r]	25,194	27,000	23,365[r]	26,108	26,761	24,451	24,936	25,306

Factor	End-of-month figures			Wednesday figures						
	June	July	Aug.	July 20	July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	396,529	390,930[r]	393,979	391,304	388,080[r]	391,591	391,952	385,299	390,464	393,979
U.S. government securities[2]										
2 Bought outright—System account	347,644	348,838	349,110	347,568	350,895	348,291	348,594	348,639	348,564	349,110
3 Held under repurchase agreements	10,059	2,770	6,519	4,337	0	4,925	4,299	0	3,990	6,519
Federal agency obligations										
4 Bought outright	3,920	3,900	3,837	3,920	3,900	3,900	3,900	3,895	3,895	3,837
5 Held under repurchase agreements	580	1,350	1,732	2,048	0	0	650	0	550	1,732
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	415	39	35	396	43	76	7	14	41	35
8 Seasonal credit	286	420	459	399	414	419	431	451	483	459
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	866	−9[r]	325	−156	−177[r]	446	200	490	525	325
11 Other Federal Reserve assets	32,760	33,623[r]	31,961	32,793	33,006[r]	33,534	33,872	31,810	32,417	31,961
12 Gold stock	11,052	11,052	11,054	11,052	11,052	11,052	11,054	11,054	11,055	11,054
13 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	22,534	22,590	22,646	22,562	22,576	22,590	22,604	22,618	22,632	22,646
ABSORBING RESERVE FUNDS										
15 Currency in circulation	382,159	382,229	385,995	383,576	383,285	384,611	385,719	385,281	384,749	385,995
16 Treasury cash holdings	353	352	368	347	352	353	352	352	360	368
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	9,356	3,683	5,994	5,823	5,602	6,744	6,289	6,522	5,494	5,994
18 Foreign	604	182	188	167	163	181	164	163	164	188
19 Service-related balances and adjustments	6,138	5,707	5,514	5,791	5,815	5,707	5,578	5,491	5,556	5,514
20 Other	286	244	289	267	217	281	305	329	317	289
21 Other Federal Reserve liabilities and capital	11,825	11,394	10,864	10,708	10,569	11,235	10,877	10,772	10,934	10,864
22 Reserve balances with Federal Reserve Banks[3]	27,412	28,799[r]	26,485	26,258	23,722[r]	24,139	24,344	18,079	24,594	26,485

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1991	1992	1993	1994						
	Dec.	Dec.	Dec.	Feb.	Mar.	Apr.	May	June	July	Aug.
1 Reserve balances with Reserve Banks[2]	26,659	25,368	29,374	26,922	27,396	29,614	26,790	26,502	25,996	25,286
2 Total vault cash[3]	32,509	34,542	36,812	36,295	35,585	35,215	35,892	36,898	37,635	37,614
3 Applied vault cash[4]	28,872	31,172	33,484	32,671	32,208	32,027	32,483	33,422	34,096	34,053
4 Surplus vault cash[5]	3,637	3,370	3,328	3,624	3,377	3,188	3,409	3,476	3,539	3,561
5 Total reserves[6]	55,532	56,540	62,858	59,593	59,605	61,641	59,273	59,924	60,092	59,338
6 Required reserves	54,553	55,385	61,795	58,454	58,638	60,489	58,358	58,819	58,985	58,333
7 Excess reserve balances at Reserve Banks[7]	979	1,155	1,063	1,140	967	1,151	915	1,105	1,107	1,005
8 Total borrowings at Reserve Banks[8]	192	124	82	70	55	124	200	333	458	469
9 Seasonal borrowings	38	18	31	15	24	57	134	226	364	445
10 Extended credit[9]	1	1	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1994									
	Apr. 27	May 11	May 25	June 8	June 22	July 6	July 20	Aug. 3[r]	Aug. 17	Aug. 31
1 Reserve balances with Reserve Banks[2]	30,212	26,702	26,848	26,816	26,473	26,239	26,908	24,703	25,594	25,102
2 Total vault cash[3]	34,748	36,447	35,320	36,209	37,227	37,012	37,179	38,557	38,114	36,913
3 Applied vault cash[4]	31,599	32,983	31,952	32,806	33,689	33,571	33,754	34,818	34,486	33,456
4 Surplus vault cash[5]	3,150	3,464	3,368	3,403	3,538	3,441	3,425	3,739	3,628	3,457
5 Total reserves[6]	61,810	59,684	58,800	59,622	60,162	59,810	60,662	59,521	60,080	58,558
6 Required reserves	60,350	58,871	57,881	58,531	59,264	58,330	59,902	58,176	59,141	57,559
7 Excess reserve balances at Reserve Banks[7]	1,460	814	919	1,092	898	1,480	760	1,346	939	999
8 Total borrowings at Reserve Banks[8]	114	170	216	218	266	568	412	458	442	498
9 Seasonal borrowings	64	102	141	176	217	292	357	413	430	468
10 Extended credit[9]	0	0	0	0	0	0	1	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

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

Millions of dollars, averages of daily figures

Source and maturity	1994, week ending Monday								
	July 4	July 11	July 18	July 25	Aug. 1	Aug. 8	Aug. 15	Aug. 22	Aug. 29
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	75,243	71,526	66,841	63,557	67,017	68,289	69,154	67,697	64,922
2 For all other maturities	12,512	12,351	13,241	12,684	13,247	13,445	11,699	11,497	11,983
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	21,605	24,687	22,767	25,010	19,810	21,082	19,655	19,617	15,573
4 For all other maturities	23,863	21,640r	22,878r	22,832r	23,779	23,850	22,788	22,732	23,857
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	23,161	22,868r	21,857	23,534r	24,456	21,927	26,287	24,329	20,870
6 For all other maturities	31,800r	32,706r	35,960r	33,806r	33,083	32,239	29,666	31,231	33,163
All other customers									
7 For one day or under continuing contract	34,878	30,024	30,260	30,074	30,628	29,336	32,202	32,960	33,945
8 For all other maturities	16,063	15,889	15,814	16,628	17,427	16,255	15,719	15,886	16,815
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	58,317	54,569	53,340	52,643	57,099	52,838	54,594	55,294	53,210
10 To all other specified customers[2]	23,581	21,466	23,025	23,194	24,025	21,588	23,313	22,226	21,366

1. Banks with assets of $4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover.

2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 9/30/94	Effective date	Previous rate	On 9/30/94	Effective date	Previous rate	On 9/30/94	Effective date	Previous rate
Boston	4.0	8/16/94	3.50	4.90	9/29/94	4.80	5.40	9/29/94	5.30
New York	↑	8/16/94	↑	↑	9/29/94	↑	↑	9/29/94	↑
Philadelphia		8/18/94			9/29/94			9/29/94	
Cleveland		8/17/94			9/29/94			9/29/94	
Richmond		8/16/94			9/29/94			9/29/94	
Atlanta		8/18/94			9/29/94			9/29/94	
Chicago		8/16/94			9/29/94			9/29/94	
St. Louis		8/16/94			9/29/94			9/29/94	
Minneapolis		8/18/94			9/29/94			9/29/94	
Kansas City		8/16/94			9/29/94			9/29/94	
Dallas	↓	8/16/94	↓	↓	9/29/94	↓	↓	9/29/94	↓
San Francisco	4.0	8/17/94	3.50	4.90	9/29/94	4.80	5.40	9/29/94	5.30

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
29	10	10
July 28	10–11	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
July 11	6	6
1986—Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
In effect Sept. 30, 1994	3.5	3.5

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit[2]	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[3]		
1 $0 million–$51.9 million	3	12/21/93
2 More than $51.9 million[4]	10	12/21/93
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under 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 Act corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable 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. 21, 1993, the exemption was raised from $3.8 million to $4.0 million. The exemption applies in the following order: (1) net negotiable order of withdrawal (NOW) accounts (NOW accounts less allowable deductions); and (2) net other transaction accounts. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

3. Includes all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers for the purpose of making payments to third persons or others, other than money market deposit accounts (MMDAs) and similar accounts that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three may be checks. Accounts subject to such limits are savings deposits.

The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 21, 1993, for institutions reporting quarterly and weekly, the amount was increased from $46.8 million to $51.9 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as was the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1991	1992	1993	1994						
				Jan.	Feb.	Mar.	Apr.	May	June	July
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	20,158	14,714	17,717	0	1,264	900	1,101	1,395	4,143	0
2 Gross sales	120	1,628	0	0	0	0	0	0	0	0
3 Exchanges	277,314	308,699	332,229	28,986	28,709	33,163	28,881	29,807	39,484	29,559
4 Redemptions	1,000	1,600	468	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	3,043	1,096	1,223	0	0	147	209	155	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	24,454	36,662	31,368	0	4,063	0	2,316	0	1,197	0
8 Exchanges	−28,090	−30,543	−36,582	−639	−1,985	−3,605	−907	0	−3,192	0
9 Redemptions	1,000	0	0	0	0	0	0	0	0	0
One to five years										
10 Gross purchases	6,583	13,118	10,350	0	0	1,413	2,817	0	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	−21,211	−34,478	−27,140	776	3,447	0	1,607	0	−1,197	0
13 Exchanges	24,594	25,811	0	639	1,145	3,605	907	0	3,192	0
Five to ten years										
14 Gross purchases	1,280	2,818	4,168	0	0	1,103	1,117	0	0	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	−2,037	−1,915	0	−776	−616	0	709	0	0	0
17 Exchanges	2,894	3,532	0	0	550	0	0	0	0	0
More than ten years										
18 Gross purchases	375	2,333	3,457	0	0	618	896	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	−1,209	−269	0	0	0	0	0	0	0	0
21 Exchanges	600	1,200	0	0	325	0	0	0	0	0
All maturities										
22 Gross purchases	31,439	34,079	36,915	0	1,264	4,181	6,140	1,550	4,143	0
23 Gross sales	120	1,628	0	0	0	0	0	0	0	0
24 Redemptions	1,000	1,600	468	616	0	0	440	0	0	0
Matched transactions										
25 Gross sales	1,570,456	1,482,467	1,475,085	132,872	124,125	155,950	120,393	137,458	133,939	125,181
26 Gross purchases	1,571,534	1,480,140	1,475,941	133,468	124,270	155,625	120,512r	137,195	133,075	126,677
Repurchase agreements										
27 Gross purchases	310,084	378,374	475,447	25,818	33,693	38,490	19,741	21,517	10,059	28,085
28 Gross sales	311,752	386,257	470,723	29,348	37,425	38,115	25,041	17,112	4,405	35,374
29 Net change in U.S. Treasury securities	29,729	20,642	42,027	−3,550	−2,323	4,232	14,058	5,691	8,933	−5,793
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	5	0	0	0	0	0	0	0	0	0
32 Redemptions	292	632	1,072	202	102	108	180	70	58	322
Repurchase agreements										
33 Gross purchases	22,807	14,565	35,063	2,600	3,277	3,160	728	4,195	580	9,472
34 Gross sales	23,595	14,486	34,669	3,106	3,636	3,170	878	2,895	1,300	8,702
35 Net change in federal agency obligations	−1,085	−554	−678	−708	−461	−118	−330	1,230	−778	448
36 Total net change in System Open Market Account	**28,644**	**20,089**	**41,348**	**−4,258**	**−2,784**	**4,114**	**189r**	**6,921**	**8,155**	**−5,345**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

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

Millions of dollars

Account	Wednesday					End of month		
	1994					1994		
	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31	June 30	July 31	Aug. 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,052	11,054	11,054	11,055	11,054	11,052	11,052	11,054
2 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
3 Coin	304	317	324	322	315	301	318	315
Loans								
4 To depository institutions	495	438	465	524	494	701	458	494
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	3,900	3,900	3,895	3,895	3,837	3,920	3,900	3,837
8 Held under repurchase agreements	0	650	0	550	1,732	580	1,350	1,732
9 **Total U.S. Treasury securities**	**353,216**	**352,893**	**348,639**	**352,554**	**355,629**	**357,703**	**351,608**	**355,629**
10 Bought outright[2]	348,291	348,594	348,639	348,564	349,110	347,644	348,838	349,110
11 Bills	169,525	169,829	169,873	169,798	170,345	168,576	170,072	170,345
12 Notes	138,384	138,384	138,006	138,006	138,006	138,686	138,384	138,006
13 Bonds	40,381	40,381	40,760	40,760	40,760	40,381	40,381	40,760
14 Held under repurchase agreements	4,925	4,299	0	3,990	6,519	10,059	2,770	6,519
15 **Total loans and securities**	**357,610**	**357,880**	**352,999**	**357,522**	**361,692**	**362,903**	**357,316**	**361,692**
16 Items in process of collection	5,857	5,094	5,703	5,026	5,125	4,537	3,809	5,125
17 Bank premises	1,063	1,064	1,063	1,065	1,065	1,061	1,063	1,065
Other assets								
18 Denominated in foreign currencies[3]	22,876	22,892	22,908	22,925	22,624	22,408	22,868	22,624
19 All other[4]	9,653	9,990	7,913	8,364	8,341	9,330	9,728	8,341
20 **Total assets**	**416,434**	**416,309**	**409,982**	**414,296**	**418,233**	**419,610**	**414,173**	**418,233**
LIABILITIES								
21 Federal Reserve notes	362,678	363,784	363,339	362,799	364,032	360,280	360,309	364,032
22 **Total deposits**	**37,228**	**36,980**	**30,929**	**36,047**	**38,753**	**43,604**	**38,682**	**38,753**
23 Depository institutions	30,021	30,222	23,914	30,072	32,282	33,358	34,573	32,282
24 U.S. Treasury—General account	6,744	6,289	6,522	5,494	5,994	9,356	3,683	5,994
25 Foreign—Official accounts	181	164	163	164	188	604	182	188
26 Other	281	305	329	317	289	286	244	289
27 Deferred credit items	5,293	4,669	4,942	4,516	4,584	3,901	3,787	4,584
28 Other liabilities and accrued dividends[5]	3,504	3,392	3,272	3,418	3,632	3,626	3,425	3,632
29 **Total liabilities**	**408,702**	**408,825**	**402,482**	**406,780**	**411,001**	**411,411**	**406,203**	**411,001**
CAPITAL ACCOUNTS								
30 Capital paid in	3,551	3,560	3,564	3,576	3,588	3,523	3,550	3,588
31 Surplus	3,401	3,401	3,401	3,401	3,383	3,401	3,401	3,383
32 Other capital accounts	779	523	535	539	262	1,275	1,018	262
33 **Total liabilities and capital accounts**	**416,434**	**416,309**	**409,982**	**414,296**	**418,233**	**419,610**	**414,173**	**418,233**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	390,207	392,088	392,187	397,924	398,851	382,449	395,105	398,851
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	436,306	437,920	439,726	441,472	442,669	427,534	435,668	442,669
36 LESS: Held by Federal Reserve Banks	73,628	74,136	76,387	78,672	78,637	67,254	75,359	78,637
37 Federal Reserve notes, net	362,678	363,784	363,339	362,799	364,032	360,280	360,309	364,032
Collateral held against notes, net								
38 Gold certificate account	11,052	11,054	11,054	11,055	11,054	11,052	11,052	11,054
39 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	343,608	344,711	344,266	343,727	344,960	341,210	341,239	344,960
42 **Total collateral**	**362,678**	**363,784**	**363,339**	**362,799**	**364,032**	**360,280**	**360,309**	**364,032**

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1994					1994		
	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31	June 30	July 31	Aug. 31
1 **Total loans**	**495**	**438**	**465**	**524**	**512**	**701**	**458**	**512**
2 Within fifteen days[1]	185	117	388	443	417	549	228	417
3 Sixteen days to ninety days	310	321	77	80	95	152	230	95
4 Ninety-one days to one year	0	0	0	0	0	0	0	0
5 **Total acceptances**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
6 Within fifteen days[1]	0	0	0	0	0	0	0	0
7 Sixteen days to ninety days	0	0	0	0	0	0	0	0
8 Ninety-one days to one year	0	0	0	0	0	0	0	0
9 **Total U.S. Treasury securities**	**353,216**	**352,893**	**348,639**	**352,554**	**355,629**	**347,644**	**348,838**	**355,629**
10 Within fifteen days[1]	20,167	23,773	16,744	20,342	18,290	4,966	7,706	18,290
11 Sixteen days to ninety days	80,193	75,986	79,539	83,885	83,811	81,476	89,041	83,811
12 Ninety-one days to one year	108,178	108,456	109,309	105,279	110,330	117,289	108,478	110,330
13 One year to five years	86,576	86,576	84,370	84,370	84,522	85,524	85,511	84,522
14 Five years to ten years	24,977	24,977	25,178	25,178	25,178	25,264	24,977	25,178
15 More than ten years	33,125	33,125	33,499	33,499	33,499	33,125	33,125	33,499
16 **Total federal agency obligations**	**3,900**	**4,550**	**3,895**	**4,445**	**5,569**	**3,920**	**3,900**	**5,569**
17 Within fifteen days[1]	15	708	348	898	2,022	165	111	2,022
18 Sixteen days to ninety days	726	668	378	378	448	490	607	448
19 Ninety-one days to one year	746	746	746	746	763	839	769	763
20 One year to five years	1,818	1,818	1,828	1,828	1,752	1,826	1,818	1,752
21 Five years to ten years	570	585	570	570	559	575	570	559
22 More than ten years	25	25	25	25	25	25	25	25

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

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

Billions of dollars, averages of daily figures

Item	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.	1994 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
					Seasonally adjusted							
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	41.77	45.53	54.34	60.48	60.60	60.76	60.59	60.33	59.91	59.71	59.82	59.52
2 Nonborrowed reserves[4]	41.44	45.34	54.22	60.39	60.53	60.69	60.53	60.21	59.71	59.37	59.36	59.05
3 Nonborrowed reserves plus extended credit[5]	41.47	45.34	54.22	60.39	60.53	60.69	60.53	60.21	59.71	59.37	59.36	59.05
4 Required reserves	40.11	44.55	53.19	59.41	59.16	59.62	59.62	59.18	59.00	58.60	58.71	58.51
5 Monetary base[6]	293.16	317.12	350.61	385.86	389.61	393.96	397.01	399.20	401.73	404.32	407.04	409.18
					Not seasonally adjusted							
6 Total reserves[7]	43.07	46.98	56.06	62.37	62.04	59.53	59.50	61.40	58.97	59.56	59.66	58.84
7 Nonborrowed reserves	42.74	46.78	55.93	62.29	61.96	59.46	59.44	61.27	58.77	59.22	59.20	58.38
8 Nonborrowed reserves plus extended credit[5]	42.77	46.78	55.93	62.29	61.96	59.46	59.44	61.27	58.77	59.22	59.20	58.38
9 Required reserves[8]	41.40	46.00	54.90	61.31	60.59	58.39	58.53	60.25	58.06	58.45	58.55	57.84
10 Monetary base[9]	296.68	321.07	354.55	390.59	391.00	390.86	394.15	399.76	400.26	404.72	408.16	408.95
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	59.12	55.53	56.54	62.86	62.07	59.59	59.61	61.64	59.27	59.92	60.09	59.34
12 Nonborrowed reserves	58.80	55.34	56.42	62.78	62.00	59.52	59.55	61.52	59.07	59.59	59.63	58.87
13 Nonborrowed reserves plus extended credit[5]	58.82	55.34	56.42	62.78	62.00	59.52	59.55	61.52	59.07	59.59	59.64	58.87
14 Required reserves	57.46	54.55	55.39	61.80	60.62	58.45	58.64	60.49	58.36	58.82	58.99	58.33
15 Monetary base[12]	313.70	333.61	360.90	397.62	397.89	397.93	400.78	406.32	406.59	410.94	414.39[r]	414.90
16 Excess reserves[13]	1.66	.98	1.16	1.06	1.45	1.14	.97	1.15	.92	1.11	1.11	1.01
17 Borrowings from the Federal Reserve	.33	.19	.12	.08	.07	.07	.06	.12	.20	.33	.46	.47

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the impact on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

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

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

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

Billions of dollars, averages of daily figures

Item	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.	1994 May	1994 June	1994 July	1994 Aug.
	Seasonally adjusted							
Measures[2]								
1 M1	826.4	897.7	1,024.8	1,128.4	1,142.9	1,146.4	1,153.7	1,152.2
2 M2	3,353.0	3,455.3	3,509.0	3,567.9	3,596.1[r]	3,589.4[r]	3,603.2[r]	3,597.2
3 M3	4,125.7	4,180.4	4,183.1	4,232.0	4,226.4[r]	4,226.4[r]	4,248.0[r]	4,241.3
4 L	4,974.8	4,992.9	5,057.2	5,134.4	5,163.2[r]	5,155.0[r]	5,186.1	n.a.
5 Debt	10,690.6[r]	11,165.9[r]	11,697.8[r]	12,320.3[r]	12,591.5[r]	12,627.7[r]	12,654.3	n.a.
M1 components								
6 Currency[3]	246.7	267.1	292.2	321.4	337.6	340.3	343.2	345.4
7 Travelers checks[4]	7.8	7.7	8.1	7.9	8.1	8.1	8.2	8.3
8 Demand deposits[5]	277.9	290.0	339.6	384.8	385.8	386.6	389.6	388.3
9 Other checkable deposits[6]	294.0	332.8	384.9	414.3	411.2	411.4	412.7	410.2
Nontransaction components								
10 In M2[7]	2,526.6	2,557.6	2,484.3	2,439.5	2,453.3[r]	2,443.0[r]	2,449.4[r]	2,445.0
11 In M3[8] only	772.7	725.2	674.1	664.1	630.2[r]	637.1[r]	644.8[r]	644.1
Commercial banks								
12 Savings deposits, including MMDAs	582.1	665.5	754.6	785.3	784.2	779.2	777.7	776.1
13 Small time deposits[9]	611.3	602.9	508.7	468.5	464.0	466.6	468.8	474.8
14 Large time deposits[10, 11]	368.6	342.4	292.8	277.1	273.7	273.8	275.9[r]	279.4
Thrift institutions								
15 Savings deposits, including MMDAs	338.3	375.6	429.0	430.2	431.7	428.0	424.6	418.6
16 Small time deposits[9]	563.2	464.5	361.8	317.1	305.1	303.8	303.7	302.9
17 Large time deposits[10]	120.9	83.4	67.5	61.8	59.8	60.1	60.8	60.5
Money market mutual funds								
18 General purpose and broker–dealer	355.5	370.4	352.0	348.8	365.1	359.3	363.5	362.9
19 Institution-only	135.0	181.0	201.5	197.0	169.3	169.5	170.9	169.3
Debt components								
20 Federal debt	2,490.3[r]	2,763.3[r]	3,067.9[r]	3,327.4[r]	3,402.5[r]	3,416.3[r]	3,419.8	n.a.
21 Nonfederal debt	8,200.3[r]	8,402.6[r]	8,629.8[r]	8,992.8[r]	9,189.1[r]	9,211.4[r]	9,234.5	n.a.
	Not seasonally adjusted							
Measures[2]								
22 M1	843.8	916.7	1,046.7	1,153.8	1,132.8	1,142.6	1,151.6	1,145.2
23 M2	3,366.0	3,470.4	3,527.6	3,590.5	3,581.5[r]	3,585.3[r]	3,599.4[r]	3,589.5
24 M3	4,135.5	4,191.9	4,198.3	4,251.3	4,217.4[r]	4,223.0[r]	4,241.0[r]	4,237.3
25 L	4,997.2	5,018.0	5,087.7	5,169.3	5,140.0[r]	5,144.5[r]	5,171.5	n.a.
26 Debt	10,687.6[r]	11,163.3[r]	11,700.6[r]	12,316.0[r]	12,522.0[r]	12,581.1[r]	12,613.5	n.a.
M1 components								
27 Currency[3]	249.5	269.9	295.0	324.9	337.4	340.6	344.8	345.7
28 Travelers checks[4]	7.4	7.4	7.8	7.6	7.9	8.3	8.8	8.9
29 Demand deposits[5]	289.9	303.1	355.1	402.6	378.8	383.5	388.9	384.9
30 Other checkable deposits[6]	297.0	336.3	388.9	418.6	408.7	410.1	409.1	405.6
Nontransaction components								
31 In M2[7]	2,522.3	2,553.7	2,480.9	2,436.7	2,448.6[r]	2,442.7[r]	2,447.8[r]	2,444.3
32 In M3[8]	769.5	721.6	670.6	660.9	635.9[r]	637.7[r]	641.5[r]	647.8
Commercial banks								
33 Savings deposits, including MMDAs	580.8	664.0	752.9	783.9	784.8	781.9	779.6	776.7
34 Small time deposits[9]	610.5	601.9	507.8	467.6	463.0	466.2	469.8	475.8
35 Large time deposits[10, 11]	367.7	341.3	291.7	276.0	276.0	275.6	275.6[r]	281.3
Thrift institutions								
36 Savings deposits, including MMDAs	337.6	374.8	428.1	429.4	432.0	429.5	425.6	418.9
37 Small time deposits[9]	562.4	463.8	361.2	316.4	304.4	303.5	304.4	303.5
38 Large time deposits[10]	120.6	83.1	67.2	61.6	60.3	60.5	60.7	60.9
Money market mutual funds								
39 General purpose and broker–dealer	353.8	368.5	350.2	347.2	364.5	357.1	360.0	360.2
40 Institution-only	134.7	180.4	200.4	195.8	171.0	166.3	167.4	169.5
Repurchase agreements and Eurodollars								
41 Overnight and continuing	77.3	80.6	80.7	92.3	99.9[r]	104.4[r]	108.5[r]	109.3
42 Term	158.3	130.1	126.8	143.8	144.3[r]	150.3[r]	152.9[r]	150.3
Debt components								
43 Federal debt	2,491.3	2,765.0	3,069.8	3,329.5	3,379.7	3,394.5	3,393.8	n.a.
44 Nonfederal debt	8,196.2[r]	8,398.3[r]	8,630.8[r]	8,986.5[r]	9,142.3[r]	9,186.6[r]	9,219.7	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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

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

M2: M1 plus (1) overnight (and continuing contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker-dealer money market funds. Excludes individual retirement accounts (IRAs) 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. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of $100,000 or more) issued by all depository institutions, (2) 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 (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

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

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

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

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

7. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker-dealer), (3) savings deposits (including MMDAs), and (4) small time deposits.

8. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

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

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1991 Dec.	1992 Dec.	1993 Dec.	1994 Jan.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.
	Interest rates (effective annual yields)										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	3.76	2.33	1.86	1.84	1.82	1.82	1.81	1.83	1.82	1.83	1.85
2 Savings deposits[2]	4.30	2.88	2.46	2.46	2.43	2.43	2.45	2.50	2.54	2.57	2.63
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	4.18	2.90	2.65	2.65	2.68	2.76	2.87	2.99	3.08	3.17	3.29
4 92 to 182 days	4.41	3.16	2.91	2.90	2.94	3.02	3.13	3.28	3.36	3.44	3.61
5 183 days to 1 year	4.59	3.37	3.13	3.14	3.18	3.27	3.42	3.64	3.76	3.88	4.11
6 More than 1 year to 2½ years	4.95	3.88	3.55	3.56	3.61	3.69	3.87	4.12	4.26	4.39	4.61
7 More than 2½ years	5.52	4.77	4.29	4.31	4.35	4.46	4.67	4.89	5.02	5.14	5.33
BIF-INSURED SAVINGS BANKS[3]											
8 Negotiable order of withdrawal accounts	4.44	2.45	1.87	1.89	1.88	1.83	1.86	1.86	1.88	1.89	1.89
9 Savings deposits[2]	4.97	3.20	2.63	2.62	2.64	2.63	2.65	2.67	2.69	2.67	2.74
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	4.68	3.13	2.70	2.69	2.69	2.71	2.72	2.77	2.84	2.98	3.03
11 92 to 182 days	4.92	3.44	3.02	3.03	3.04	3.08	3.13	3.21	3.41	3.53	3.69
12 183 days to 1 year	4.99	3.61	3.31	3.33	3.34	3.37	3.47	3.67	3.92	4.02	4.19
13 More than 1 year to 2½ years	5.23	4.02	3.66	3.72	3.76	3.85	3.96	4.12	4.38	4.56	4.81
14 More than 2½ years	5.98	5.00	4.62	4.61	4.66	4.75	4.85	5.08	5.24	5.35	5.47
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	244,637	286,541	305,223	293,806	295,573	297,496	293,888	292,797	290,220	290,631	295,323
16 Savings deposits[2]	652,058	738,253	766,413	771,559	776,204	779,340	771,869	773,170	767,539	765,751	764,022
17 Personal	508,191	578,757	597,838	606,615	611,725	615,875	611,720	612,648	608,132	605,881	600,920
18 Nonpersonal	143,867	159,496	168,575	164,944	164,479	163,465	160,149	160,522	159,407	159,870	163,102
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	47,094	38,474	29,455	29,312	29,578	29,539	29,467	29,950	28,763	28,659	27,953
20 92 to 182 days	158,605	127,831	110,069	109,110	109,444	107,407	105,615	104,400	102,439	100,424	98,064
21 183 days to 1 year	209,672	163,098	146,565	144,037	143,624	144,022	146,733	148,102	151,165	152,216	156,222
22 More than 1 year to 2½ years	171,721	152,977	141,223	141,204	141,006	139,946	139,313	140,764	144,686	146,875	150,718
23 More than 2½ years	158,078	169,708	181,528	182,193	181,240	180,973	181,977	180,381	181,843	182,944	186,397
24 IRA and Keogh plan deposits	147,266	147,350	143,985	143,875	143,409	142,002	142,448	142,047	142,513	142,649	142,648
BIF-INSURED SAVINGS BANKS[3]											
25 Negotiable order of withdrawal accounts	9,624	10,871	11,151	10,796	10,870	11,078	11,051	11,052	10,792	10,925	10,998
26 Savings deposits[2]	71,215	81,786	80,115	78,660	78,016	78,701	78,982	78,817	77,289	77,337	75,044
27 Personal	68,638	78,695	77,035	75,445	74,756	75,444	75,717	75,474	74,121	74,064	71,981
28 Nonpersonal	2,577	3,091	3,079	3,215	3,260	3,257	3,265	3,344	3,168	3,273	3,064
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	4,146	3,867	2,793	2,737	2,735	2,671	2,697	2,702	2,614	2,531	2,521
30 92 to 182 days	21,686	17,345	12,946	13,094	13,165	13,177	13,058	12,822	12,515	12,511	12,282
31 183 days to 1 year	29,715	21,780	17,426	17,418	17,436	17,511	17,504	17,444	17,310	17,591	17,578
32 More than 1 year to 2½ years	25,379	18,442	16,546	16,281	16,338	16,180	16,453	16,477	16,493	16,901	16,810
33 More than 2½ years	18,665	18,845	20,464	20,630	20,939	21,110	21,454	21,546	21,079	21,573	21,516
34 IRA and Keogh plan accounts	23,007	21,713	19,356	19,395	19,474	19,447	19,860	19,772	19,511	19,757	19,440

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 460 commercial banks and 80 savings banks on the last Wednesday of each period. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.
2. Includes personal and nonpersonal money market deposits.
3. Includes both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of deposit	1991	1992	1993	1994					
				Jan.	Feb.	Mar.	Apr.	May	June
DEBITS	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	277,741.7	313,251.6	334,793.7	349,574.2	371,865.9	393,877.0	352,710.1[r]	376,234.8[r]	371,524.8
2 Major New York City banks	137,337.2	165,484.5	171,312.0	183,245.0	200,050.9	210,684.5	184,409.0	200,277.7	195,079.4
3 Other banks	140,404.5	147,767.2	163,481.7	166,329.2	171,815.0	183,192.5	168,301.1[r]	175,957.1[r]	176,445.4
4 Other checkable deposits[4]	3,643.1	3,781.5	3,486.8	3,426.9	3,785.2	3,882.2	3,574.0[r]	3,868.2	3,843.7
5 Savings deposits (including MMDAs)[5]	3,206.4	3,310.6	3,507.3	3,595.3	4,056.9	3,918.6	3,458.4	3,530.6	3,825.7
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	803.7	826.0	786.5	771.4	823.3	873.6	778.6	833.9	828.5
7 Major New York City banks	4,267.1	4,794.5	4,200.6	4,268.2	4,674.4	4,798.4	4,233.3	4,714.9	4,480.9
8 Other banks	448.1	428.9	424.8	405.5	420.2	450.1	411.1	430.6	435.8
9 Other checkable deposits[4]	16.2	14.4	11.9	11.3	12.6	12.9	11.9	12.8	12.7
10 Savings deposits (including MMDAs)[5]	5.2	4.7	4.6	4.6	5.2	5.0	4.4	4.5	4.9
DEBITS	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	277,752.4	313,416.8	334,775.6	349,669.7	345,587.2	406,826.5	350,131.9[r]	364,468.1[r]	387,228.2
12 Major New York City banks	137,307.2	165,595.0	171,283.5	181,971.7	187,904.4	218,783.5	181,272.6	188,885.2	204,251.8
13 Other banks	140,445.2	147,821.9	163,492.1	167,698.0	157,682.8	188,043.0	168,859.4[r]	175,583.0	182,976.3
14 Other checkable deposits[4]	3,645.2	3,784.4	3,485.2	3,745.4	3,480.4	3,889.2	3,782.0	3,685.4	3,900.9
15 Savings deposits (including MMDAs)[5]	3,209.2	3,310.0	3,505.8	3,780.8	3,616.8	3,882.8	3,633.8	3,567.4	3,949.0
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	803.6	826.3	786.5	759.5	783.2	923.4	771.4	823.3	868.3
17 Major New York City banks	4,269.0	4,803.5	4,197.9	4,047.8	4,319.0	5,140.2	4,228.8	4,449.3	4,878.2
18 Other banks	448.1	429.0	424.9	403.7	396.4	472.4	410.8	438.7	452.8
19 Other checkable deposits[4]	16.2	14.4	11.9	12.1	11.6	12.9	12.3	12.3	13.0
20 Savings deposits (including MMDAs)[5]	5.2	4.7	4.6	4.8	4.6	5.0	4.6	4.6	5.1

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.

2. Annual averages of monthly figures.

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

4. As of January 1994, other checkable deposits (OCDs), previously defined as automatic transfer to demand deposits (ATSs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.

5. Money market deposit accounts.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1993	1994							1994			
	Aug.	Feb.	Mar.	Apr.[r]	May[r]	June[r]	July[r]	Aug.	Aug. 10	Aug. 17	Aug. 24	Aug. 31[r]
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted											
Assets												
1 Bank credit	3,065.1[r]	3,139.2[r]	3,167.7[r]	3,194.6	3,198.9	3,207.5	3,241.6	3,255.0	3,246.2	3,247.3	3,262.7	3,269.1
2 Securities in bank credit	902.5	929.4[r]	949.4[r]	966.6	964.4	966.7	970.5	964.6	962.2	962.6	967.9	966.7
3 U.S. government securities	718.3[r]	730.8[r]	745.2[r]	755.9	749.0	749.9	749.5	745.3	744.8	744.0	746.5	745.6
4 Other securities	184.2	198.6[r]	204.2[r]	210.7	215.4	216.8	221.1	219.3	217.4	218.6	221.4	221.1
5 Loans and leases in bank credit[2]	2,162.6	2,209.8	2,218.3	2,228.0	2,234.5	2,240.8	2,271.1	2,290.4	2,284.0	2,284.7	2,294.8	2,302.4
6 Commercial and industrial	588.7[r]	590.6[r]	595.3[r]	601.7	605.8	608.2	616.8	621.8	620.0	621.7	623.4	622.9
7 Real estate	919.7[r]	942.3[r]	943.0[r]	945.5	946.8	952.6	958.9	968.1	964.3	967.3	969.7	972.8
8 Revolving home equity	74.7	73.2	73.3	73.3	73.7	74.0	74.1	74.3	74.3	74.3	74.2	74.4
9 Other	845.0[r]	869.1[r]	869.8[r]	872.1	873.1	878.6	884.8	893.8	890.0	893.0	895.5	898.5
10 Consumer	378.1	397.9	402.4	408.7	411.8	415.1	422.7	429.0	427.2	428.9	429.2	431.8
11 Security[3]	80.3	82.2	83.3	76.9	77.4	76.1	77.8	75.2	76.8	71.8	74.9	76.8
12 Other	195.9[r]	196.9[r]	194.2	195.2	192.7	188.8	194.9	196.5	195.7	195.0	197.5	198.0
13 Interbank loans[4]	155.4	155.4	148.7	150.0	161.9	163.2	166.3	163.2	155.5	163.7	159.9	174.0
14 Cash assets[5]	219.9	225.0	216.2	209.7	217.4	216.5	213.1	205.8	206.1	195.8	211.6	210.1
15 Other assets[6]	219.5	210.8[r]	204.6[r]	205.8	208.8	205.4	208.9	208.5	208.8	209.7	207.5	206.8
16 **Total assets**[7]	**3,599.7**	**3,673.1**[r]	**3,680.1**[r]	**3,702.8**	**3,729.5**	**3,734.9**	**3,771.9**	**3,774.5**	**3,758.5**	**3,758.4**	**3,783.6**	**3,801.9**
Liabilities												
17 Deposits	2,520.0	2,531.6	2,517.3	2,506.0	2,519.2	2,505.9	2,512.2	2,516.2	2,510.6	2,505.8	2,529.3	2,523.1
18 Transaction	799.1	817.5	813.5	800.5	812.4	809.2	810.3	808.2	806.5	798.6	819.0	810.4
19 Nontransaction	1,720.9	1,714.0	1,703.8	1,705.5	1,706.7	1,696.6	1,701.9	1,708.0	1,704.1	1,707.2	1,710.3	1,712.7
20 Large time	346.8	340.4	332.5	335.3	338.0	334.3	339.0	342.4	340.1	342.7	343.8	343.9
21 Other	1,374.1	1,373.6	1,371.3	1,370.2	1,368.7	1,362.4	1,362.9	1,365.6	1,364.0	1,364.5	1,366.5	1,368.8
22 Borrowings	518.3	549.1[r]	561.3[r]	587.4	581.6	578.1	583.8	578.6	559.4	575.2	584.0	598.2
23 From banks in the U.S.	156.4	154.4	147.9	150.2	163.3	161.3	167.9	162.7	153.3	163.9	159.5	173.2
24 From nonbanks in the U.S.	361.9	394.8[r]	413.4[r]	437.2	418.3	416.8	415.8	415.9	406.1	411.3	424.5	425.0
25 Net due to related foreign offices	118.2	135.6	157.6	173.6	171.9	185.0	201.6	212.6	213.0	221.3	211.1	204.5
26 Other liabilities[8]	149.0	151.7	143.1	143.5	146.5	141.8	146.5	141.6	143.9	141.3	138.2	141.7
27 **Total liabilities**	**3,305.5**	**3,368.0**[r]	**3,379.3**[r]	**3,410.5**	**3,419.1**	**3,410.9**	**3,444.0**	**3,449.0**	**3,426.9**	**3,443.6**	**3,462.6**	**3,467.6**
28 Residual (assets less liabilities)[9]	294.2	305.1[r]	300.8[r]	292.3	310.4	324.1	327.8	325.5	331.6	314.9	321.0	334.3
	Not seasonally adjusted											
Assets												
29 Bank credit	3,057.3[r]	3,137.8[r]	3,166.3[r]	3,192.8	3,187.8	3,202.5	3,225.0	3,246.7	3,238.1	3,244.5	3,245.6	3,263.6
30 Securities in bank credit	901.0[r]	929.3[r]	952.5[r]	967.4	960.2	963.0	964.0	963.8	960.6	964.1	963.7	967.8
31 U.S. government securities	717.4	729.6	748.7[r]	758.1	746.0	747.4	743.8	744.6	743.6	745.4	743.7	745.4
32 Other securities	183.7	199.8[r]	203.8[r]	209.4	214.1	215.6	220.2	219.3	216.9	218.6	220.0	222.5
33 Loans and leases in bank credit[2]	2,156.2	2,208.5	2,213.7	2,225.4	2,227.7	2,239.5	2,261.1	2,282.8	2,277.5	2,280.4	2,281.9	2,295.8
34 Commercial and industrial	585.4[r]	589.8[r]	598.2[r]	604.6	607.4	609.2	614.6	618.0	617.9	619.0	617.6	617.9
35 Real estate	919.9[r]	938.9[r]	939.3[r]	943.5	947.2	953.1	959.7	967.1	965.5	966.6	966.9	971.0
36 Revolving home equity	74.7	73.0	72.6	72.8	73.4	73.8	73.9	74.3	74.1	74.3	74.2	74.5
37 Other	845.2[r]	865.9[r]	866.6[r]	870.7	873.7	879.2	885.7	892.8	891.4	892.3	892.7	896.5
38 Consumer	377.5	399.1	399.6	405.5	410.5	413.2	420.0	428.2	424.9	428.3	428.9	432.6
39 Security[3]	77.7	86.8	85.5	79.6	73.4	74.3	72.6	72.6	74.0	69.7	71.7	74.6
40 Other	195.8[r]	193.9[r]	191.1	192.2	189.2	189.8	194.1	196.9	195.2	196.7	196.7	199.6
41 Interbank loans[4]	152.4	156.0	148.4	151.4	157.1	160.7	161.8	159.4	152.6	160.5	152.9	171.2
42 Cash assets[5]	214.2	219.6	210.9	207.0	214.9	214.2	209.7	200.1	196.1	192.3	196.0	213.9
43 Other assets[6]	217.8	210.3[r]	203.2[r]	202.7	206.1	202.9	207.2	206.9	207.8	206.6	203.3	207.7
44 **Total assets**[7]	**3,581.9**	**3,666.0**[r]	**3,671.3**[r]	**3,696.9**	**3,708.4**	**3,722.6**	**3,746.3**	**3,755.3**	**3,736.9**	**3,746.1**	**3,740.0**	**3,798.5**
Liabilities												
45 Deposits	2,509.0	2,521.3	2,508.9	2,512.6	2,507.9	2,507.5	2,506.0	2,504.6	2,501.9	2,502.0	2,487.7	2,522.6
46 Transaction	784.2	808.4	802.0	808.8	801.1	807.6	802.3	793.0	790.8	790.5	775.6	809.0
47 Nontransaction	1,724.8	1,712.9	1,706.9	1,703.8	1,706.8	1,699.9	1,703.6	1,711.6	1,711.1	1,711.4	1,712.0	1,713.6
48 Large time	348.5	340.7	335.1	336.4	342.0	337.1	339.4	344.0	342.1	343.8	346.3	344.9
49 Other	1,376.3	1,372.1	1,371.8	1,367.3	1,364.8	1,362.7	1,364.3	1,367.6	1,369.0	1,367.7	1,365.7	1,368.7
50 Borrowings	519.8	547.6[r]	548.7[r]	563.8	569.2	584.1	589.0	592.0	579.1	591.5	588.8	611.4
51 From banks in the U.S.	152.6	155.9	148.4	151.4	157.1	160.7	161.8	159.4	152.6	160.5	152.9	171.2
52 From nonbanks in the U.S.	367.2	391.6[r]	400.3[r]	412.4	412.1	423.5	427.3	432.5	426.5	430.9	436.0	440.2
53 Net due to related foreign offices	110.5	139.3	163.1	172.6	180.3	180.2	193.4	201.0	198.2	196.7	208.4	202.9
54 Other liabilities[8]	148.6	151.9	142.8	138.8	142.7	138.9	143.5	141.2	142.9	140.7	137.5	142.5
55 **Total liabilities**	**3,287.9**	**3,360.0**[r]	**3,363.4**[r]	**3,387.8**	**3,400.1**	**3,410.7**	**3,431.8**	**3,438.7**	**3,422.1**	**3,430.8**	**3,422.4**	**3,479.3**
56 Residual (assets less liabilities)[9]	294.0	306.0[r]	307.9[r]	309.1	308.3	311.9	314.5	316.6	314.9	315.3	317.5	319.2

Footnotes appear on last page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1993	1994							1994			
	Aug.	Feb.	Mar.	Apr.[r]	May[r]	June[r]	July[r]	Aug.	Aug. 10	Aug. 17	Aug. 24	Aug. 31[r]
DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
Assets												
57 Bank credit	2,721.0	2,803.1[r]	2,829.5[r]	2,845.2	2,851.5	2,861.1	2,884.3	2,897.8	2,888.0	2,896.1	2,901.7	2,911.1
58 Securities in bank credit	824.3	850.7[r]	870.6[r]	878.9	875.7	874.6	879.3	872.0	872.2	871.5	872.8	871.2
59 U.S. government securities	665.0[r]	676.3[r]	690.3[r]	694.5	690.5	689.1	689.3	684.6	685.4	684.7	684.5	682.6
60 Other securities	159.3[r]	174.4[r]	180.3[r]	184.3	185.1	185.5	190.0	187.4	186.7	186.8	188.3	188.6
61 *Loans and leases in bank credit*[2]	1,896.8[r]	1,952.4	1,959.0	1,966.4	1,975.8	1,986.4	2,004.9	2,025.8	2,015.8	2,024.6	2,028.9	2,039.9
62 Commercial and industrial	434.2	442.6[r]	444.7[r]	448.6	451.6	455.0	460.3	463.7	462.2	464.3	464.4	465.0
63 Real estate	871.5[r]	897.2[r]	898.2[r]	902.0	903.8	909.7	916.9	926.2	922.2	925.5	927.8	931.4
64 Revolving home equity	74.7	73.1	73.2	73.3	73.6	73.9	74.0	74.2	74.3	74.3	74.2	74.4
65 Other	796.9[r]	824.1[r]	825.0[r]	828.7	830.2	835.8	842.9	852.0	848.0	851.3	853.7	857.2
66 Consumer	378.1	397.9	402.4	408.7	411.8	415.1	422.7	429.0	427.2	428.9	429.2	431.8
67 Security[3]	54.7	54.5	55.5	49.5	51.3	49.7	46.7	47.2	45.8	46.4	47.4	50.1
68 Other	158.4[r]	160.2[r]	158.2[r]	157.6	157.3	156.9	158.3	159.7	158.4	159.5	160.1	161.6
69 Interbank loans[4]	134.0	130.1	125.3	124.2	133.3	133.8	135.9	135.0	127.3	134.1	136.6	141.5
70 Cash assets[5]	193.1	200.5	190.7	183.5	190.1	190.2	187.4	181.6	182.3	171.0	188.4	185.9
71 Other assets[6]	173.4	164.1[r]	158.3[r]	159.6	158.7	155.5	156.5	156.5	155.9	158.1	156.6	155.2
72 **Total assets**[7]	**3,161.4**	**3,240.6**[r]	**3,246.8**[r]	**3,255.2**	**3,276.1**	**3,283.0**	**3,306.0**	**3,312.9**	**3,295.5**	**3,301.3**	**3,325.2**	**3,335.8**
Liabilities												
73 Deposits	2,368.7	2,382.5	2,376.7	2,363.8	2,376.2	2,368.6	2,370.8	2,371.6	2,368.7	2,362.3	2,383.2	2,374.3
74 Transaction	787.4	806.4	802.5	790.2	802.1	798.7	800.2	798.2	796.4	789.1	808.8	800.0
75 Nontransaction	1,581.2	1,576.1	1,574.2	1,573.6	1,574.1	1,569.9	1,570.6	1,573.4	1,572.3	1,573.2	1,574.3	1,574.3
76 Large time	214.5	209.1	208.0	208.4	209.8	210.0	211.1	212.2	212.7	212.6	212.1	211.2
77 Other	1,366.7	1,367.0	1,366.2	1,365.2	1,364.2	1,359.9	1,359.4	1,361.2	1,359.6	1,360.5	1,362.2	1,363.1
78 Borrowings	405.8	445.2	462.0	483.1	476.8	468.3	469.9	468.1	448.6	468.1	477.8	481.1
79 From banks in the U.S.	119.3	132.7	128.6	129.9	142.4	138.0	146.6	143.7	134.6	145.7	142.8	150.2
80 From nonbanks in the U.S.	286.5	312.5	333.3	353.2	334.4	330.3	323.3	324.5	314.0	322.4	335.0	330.9
81 Net due to related foreign offices	−12.4	2.5	13.2	21.1	22.4	32.7	45.0	54.2	54.1	54.7	54.8	57.4
82 Other liabilities[8]	107.9	108.6	101.3	102.4	103.4	99.8	101.0	96.0	97.4	97.3	92.7	94.7
83 **Total liabilities**	**2,869.9**	**2,938.8**	**2,953.3**	**2,970.5**	**2,978.8**	**2,969.4**	**2,986.7**	**2,989.9**	**2,968.8**	**2,982.4**	**3,008.5**	**3,007.5**
84 Residual (assets less liabilities)[9]	291.5	301.7[r]	293.5[r]	284.8	297.4	313.6	319.3	323.1	326.7	319.0	316.7	328.2
	Not seasonally adjusted											
Assets												
85 Bank credit	2,717.2	2,799.2[r]	2,824.3[r]	2,845.7	2,846.5	2,859.8	2,876.1	2,893.4	2,884.0	2,893.7	2,890.2	2,910.0
86 Securities in bank credit	824.4	849.9[r]	871.1[r]	881.0	873.1	873.9	874.8	872.6	871.5	873.2	870.9	874.8
87 U.S. government securities	665.2	675.1[r]	691.8[r]	698.1	689.3	688.7	685.4	685.1	685.4	686.2	683.4	684.7
88 Other securities	159.2	174.7[r]	179.3[r]	182.9	183.8	185.1	189.4	187.6	186.2	187.0	187.6	190.1
89 Loans and leases in bank credit[2]	1,892.8	1,949.3	1,953.2	1,964.8	1,973.4	1,986.0	2,001.4	2,020.7	2,012.4	2,020.5	2,019.3	2,035.2
90 Commercial and industrial	431.6[r]	441.9[r]	446.6[r]	451.3	454.3	456.0	458.9	460.9	460.5	461.6	460.1	461.4
91 Real estate	871.6[r]	893.6[r]	894.4[r]	900.1	904.2	910.4	917.7	925.1	923.4	924.6	924.9	929.3
92 Revolving home equity	74.7	72.9	72.6	72.8	73.4	73.8	73.8	74.2	74.0	74.2	74.1	74.4
93 Other	797.0[r]	820.7[r]	821.8[r]	827.4	830.9	836.7	843.9	850.9	849.4	850.4	850.8	854.9
94 Consumer	377.5	399.1	399.6	405.5	410.5	413.2	420.0	428.2	424.9	428.3	428.9	432.6
95 Security[3]	53.5	56.7	56.7	52.0	49.2	49.0	46.0	46.2	45.2	45.2	45.9	49.1
96 Other	158.6	158.0	155.9	155.9	155.2	157.3	158.7	160.2	158.5	160.8	159.4	162.8
97 Interbank loans[4]	132.2	132.3	126.0	126.1	129.2	133.0	131.7	132.8	127.5	134.8	129.7	138.6
98 Cash assets[5]	186.7	195.5	185.9	181.7	188.6	187.7	184.2	175.3	171.5	167.0	171.8	189.3
99 Other assets[6]	171.9	163.4[r]	157.5[r]	157.4	157.1	154.4	156.1	155.2	155.0	155.3	152.9	156.3
100 **Total assets**[7]	**3,148.3**	**3,232.8**[r]	**3,236.1**[r]	**3,253.9**	**3,264.0**	**3,277.5**	**3,290.9**	**3,299.0**	**3,280.3**	**3,293.1**	**3,286.9**	**3,336.4**
Liabilities												
101 Deposits	2,357.5	2,371.4	2,365.3	2,369.3	2,361.7	2,366.2	2,363.5	2,359.9	2,360.2	2,358.0	2,341.3	2,374.4
102 Transaction	772.8	797.3	791.4	798.7	791.1	797.2	792.2	783.2	781.1	781.0	765.9	798.6
103 Nontransaction	1,584.7	1,574.1	1,573.9	1,570.6	1,570.6	1,569.0	1,571.3	1,576.7	1,579.1	1,577.0	1,575.3	1,575.8
104 Large time	215.9	209.1	207.4	207.7	210.4	209.4	210.8	213.6	214.2	213.7	213.8	212.7
105 Other	1,368.7	1,364.9	1,366.5	1,362.9	1,360.2	1,359.6	1,360.5	1,363.1	1,364.9	1,363.3	1,361.5	1,363.2
106 Borrowings	406.1	445.8	449.7	460.6	467.5	474.0	475.1	480.4	466.3	481.9	482.6	495.0
107 From banks in the U.S.	115.5	135.4	129.0	131.6	138.0	138.2	140.3	140.3	133.2	142.1	136.6	148.3
108 From nonbanks in the U.S.	290.7	310.4	320.7	329.0	329.4	335.8	334.8	340.2	333.1	339.8	345.9	346.7
109 Net due to related foreign offices	−12.8	5.4	16.0	20.6	31.1	32.9	43.5	51.0	46.7	46.1	57.3	57.1
110 Other liabilities[8]	107.6	108.1	101.3	98.8	100.3	97.2	99.1	95.7	96.7	96.5	92.8	95.4
111 **Total liabilities**	**2,858.4**	**2,930.8**	**2,932.4**	**2,949.4**	**2,960.5**	**2,970.4**	**2,981.1**	**2,987.1**	**2,969.9**	**2,982.5**	**2,974.0**	**3,021.9**
112 Residual (assets less liabilities)[9]	289.9	302.0[r]	303.7[r]	304.5	303.5	307.1	309.7	312.0	310.4	310.6	313.0	314.5

Footnotes appear on following page.

NOTES TO TABLE 1.26

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks; New York State investment companies, and Edge Act and agreement corporations (foreign-related institutions). Excludes international banking facilities. Data are Wednesday values, or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

3. Consists of reserve repurchase agreements with broker–dealers and loans to purchase and carry securities.

4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.

6. Excludes the due-from position with related foreign offices, which is included in lines 25, 53, 81, and 109.

7. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

8. Excludes the due-to position with related foreign offices, which is included in lines 25, 53, 81, and 109.

9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1994								
	July 6	July 13	July 20	July 27r	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
ASSETS									
1 Cash and balances due from depository institutions	124,808	110,265	103,754	107,275	105,539	101,119	96,646	103,156	113,714
2 U.S. Treasury and government securities	313,583r	312,285r	307,162r	311,057	313,899	313,324	316,004	311,394	313,536
3 Trading account	24,211	23,141	21,513	22,734	24,974	24,678	27,754	24,642	26,422
4 Investment account	289,372r	289,144r	285,649r	288,323	288,925	288,647	288,250	286,752	287,115
5 Mortgage-backed securities[1]	87,938r	88,133r	86,713r	88,621	95,278	94,981	94,611	93,024	93,528
All others, by maturity									
6 One year or less	50,267r	49,954r	48,778r	47,642	46,894	46,969	47,450	47,339	49,523
7 One year through five years	78,107r	77,786r	77,580r	77,407	77,956	78,197	78,398	78,644	77,173
8 More than five years	73,061r	73,271r	72,578r	74,654	68,798	68,499	67,791	67,746	66,891
9 Other securities	100,716r	104,210r	101,832r	101,358	98,995	98,892	100,296	100,938	102,852
10 Trading account	1,811	1,768	1,697	2,123	2,098	1,779	1,788	1,774	1,835
11 Investment account	57,848r	58,030r	58,748r	58,652	58,712	59,194	59,086	59,384	61,152
12 State and local government, by maturity	20,899	21,012	21,145r	21,243	21,131	21,186	21,213	21,324	21,420
13 One year or less	4,457r	4,518r	4,586r	4,582	4,704	4,730	4,744	4,790	4,830
14 More than one year	16,442r	16,494r	16,559r	16,661	16,427	16,455	16,469	16,535	16,590
15 Other bonds, corporate stocks, and securities	36,949r	37,018r	37,603r	37,409	37,581	38,009	37,873	38,059	39,732
16 Other trading account assets	41,057r	44,412r	41,386r	40,583	38,185	37,919	39,422	39,780	39,864
17 Federal funds sold[2]	96,662	90,280	97,349	94,029	95,914	89,963	97,480	93,475	101,872
18 To commercial banks in the United States	67,320	60,744	65,739	61,593	65,340	59,702	66,452	63,067	68,982
19 To nonbank brokers and dealers in securities	22,991	23,370	25,330	26,211	24,546	23,764	23,669	22,991	25,545
20 To others[3]	6,351	6,166	6,280	6,225	6,027	6,497	7,359	7,417	7,345
21 Other loans and leases, gross	1,077,439r	1,073,600r	1,078,871r	1,078,401	1,084,980	1,086,607	1,092,264	1,092,133	1,100,958
22 Commercial and industrial	297,530r	296,702r	298,276r	298,241	299,632	299,932	301,000	299,470	300,155
23 Bankers acceptances and commercial paper	2,916	2,936	2,920	2,942	3,070	3,098	3,116	3,068	3,118
24 All other	294,615r	293,765r	295,356r	295,300	296,563	296,834	297,884	296,402	297,036
25 U.S. addressees	292,898	292,041	293,648	293,610	294,821	295,160	296,137	294,747	295,469
26 Non-U.S. addressees	1,717r	1,724r	1,708r	1,690	1,741	1,674	1,747	1,654	1,568
27 Real estate loans	430,715	432,396	432,859	432,336	434,756	435,869	436,545	436,043	438,274
28 Revolving, home equity	44,407r	44,468r	44,728r	44,741	44,848	44,790	44,952	45,031	45,185
29 All other	386,308r	387,928r	388,131r	387,595	389,907	391,079	391,593	391,011	393,089
30 To individuals for personal expenditures	218,239	218,592	219,965	221,082	222,527	223,361	225,462	227,091	228,618
31 To depository and financial institutions	40,986	40,402	40,289	40,355	42,296	40,832	41,898	41,122	43,873
32 Commercial banks in the United States	20,936	21,094	21,259	21,788	22,603	21,900	22,600	22,566	23,469
33 Banks in foreign countries	3,187	2,766	2,656	2,405	3,054	2,686	2,857	2,398	3,754
34 Nonbank depository and other financial institutions	16,863	16,542	16,375	16,162	16,639	16,246	16,442	16,158	16,650
35 For purchasing and carrying securities	16,173	15,574	16,201	16,312	15,213	15,897	15,984	17,484	17,934
36 To finance agricultural production	6,508	6,539	6,514	6,573	6,593	6,655	6,639	6,615	6,725
37 To states and political subdivisions	11,865	11,827	11,750	11,801	11,771	11,632	11,613	11,849	11,827
38 To foreign governments and official institutions	1,180r	1,071r	1,104r	1,013	961	972	969	1,003	980
39 All other loans[4]	26,178r	22,331r	23,612r	22,315	22,681	22,900	23,554	22,761	23,669
40 Lease-financing receivables	28,065	28,167	28,303	28,372	28,549	28,557	28,601	28,695	28,905
41 LESS: Unearned income	1,656r	1,675r	1,699r	1,690	1,687	1,693	1,684	1,678	1,662
42 Loan and lease reserve[5]	34,401	34,719	34,726	34,707	34,962	34,998	35,022	34,986	35,081
43 Other loans and leases, net	1,041,382r	1,037,207r	1,042,447r	1,042,005	1,048,331	1,049,916	1,055,557	1,055,468	1,064,215
44 All other assets	158,383r	158,307r	153,553r	151,008	157,911	152,842	155,291	147,609	149,753
45 **Total assets[6]**	**1,835,535r**	**1,812,554r**	**1,806,096r**	**1,806,731**	**1,820,589**	**1,806,056**	**1,821,274**	**1,812,040**	**1,845,942**

Footnotes appear on the following page.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1994								
	July 6	July 13	July 20	July 27[r]	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
LIABILITIES									
46 Deposits	1,163,080[r]	1,134,948[r]	1,124,335[r]	1,121,266	1,142,661	1,135,036	1,136,718	1,125,278	1,144,736
47 Demand deposits[7]	321,555[r]	293,281[r]	283,784[r]	284,445	294,053	285,563	287,976	280,781	299,926
48 Individuals, partnerships, and corporations	268,967[r]	248,943[r]	240,924[r]	239,104	245,790	243,166	243,692	236,936	253,128
49 Other holders	52,588[r]	44,338	42,861	45,341	48,263	42,398	44,284	43,845	46,798
50 States and political subdivisions	9,077	8,000	8,313	8,425	9,099	8,196	8,370	8,496	8,585
51 U.S. government	1,981	1,755	1,980	1,947	2,882	1,883	1,887	2,216	2,394
52 Depository institutions in the United States	25,612[r]	18,638	18,823	18,269	21,160	18,459	18,551	18,401	19,739
53 Banks in foreign countries	6,347	5,732	5,373	5,058	6,059	4,220	5,414	4,452	5,792
54 Foreign governments and official institutions	607	576	790	612	632	640	732	752	647
55 Certified and officers' checks	8,963	9,638	7,582	11,031	8,431	9,000	9,330	9,527	9,641
56 Transaction balances other than demand deposits[4]	127,385	123,757	123,563	122,285	127,894	125,517	125,299	123,470	125,112
57 Nontransaction balances	714,140	717,910	716,987	714,535	720,715	723,956	723,443	721,028	719,699
58 Individuals, partnerships, and corporations	692,935	696,012[r]	694,894[r]	692,011	698,378	701,072	700,716	698,244	697,285
59 Other holders	21,205	21,899[r]	22,094[r]	22,524	22,336	22,884	22,727	22,784	22,413
60 States and political subdivisions	17,130	17,437	17,548	17,697	17,727	17,964	17,740	17,801	17,509
61 U.S. government	1,986	2,305	2,309	2,391	2,263	2,493	2,489	2,448	2,440
62 Depository institutions in the United States	1,688	1,754[r]	1,840[r]	2,047	1,932	1,987	2,066	2,103	2,039
63 Foreign governments, official institutions, and banks	401	403	396	389	414	440	431	432	425
64 Liabilities for borrowed money[5]	353,078	349,655	353,091	351,144	347,730	343,463	355,888	352,903	364,637
65 Borrowings from Federal Reserve Banks	2,241	0	250	0	0	0	0	0	0
66 Treasury tax and loan notes	6,502	6,826	7,475[r]	9,805	8,464	7,350	7,749	8,663	17,265
67 Other liabilities for borrowed money[6]	344,335	342,829	345,366[r]	341,339	339,266	336,113	348,139	344,240	347,372
68 Other liabilities (including subordinated notes and debentures)	152,047	158,871	158,785[r]	164,391	160,140	157,912	158,285	161,594	164,534
69 **Total liabilities**	**1,668,204[r]**	**1,643,475[r]**	**1,636,211[r]**	**1,636,801**	**1,650,531**	**1,636,411**	**1,650,890**	**1,639,775**	**1,673,907**
70 Residual (total assets less total liabilities)[7]	167,331[r]	169,079[r]	169,886[r]	169,930	170,057	169,644	170,384	172,265	172,035
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,500,145[r]	1,498,537[r]	1,498,216[r]	1,501,464	1,505,844	1,507,184	1,516,992	1,512,307	1,526,768
72 Time deposits in amounts of $100,000 or more	93,607	96,619	96,493	97,285	97,790	98,238	98,401	98,033	96,421
73 Loans sold outright to affiliates[9]	676	675	671	670	680	680	679	672	672
74 Commercial and industrial	327	326	326	327	327	326	326	326	326
75 Other	349	349	345	343	353	354	353	346	345
76 Foreign branch credit extended to U.S. residents[10]	22,539	22,065	21,972	22,409	22,482	22,516	22,518	22,263	22,961
77 Net owed to related institutions abroad	27,950[r]	34,874[r]	41,372[r]	45,753	38,483	40,892	40,581	51,594	51,276

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal (NOWs) and automatic transfer service (ATS) accounts, and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS
Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1994 July 6	July 13	July 20	July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
ASSETS									
1 Cash and balances due from depository *institutions*	16,898	16,117	16,339	16,548	16,121	15,777	16,276	15,472	15,891
2 U.S. Treasury and government agency securities	39,969	39,513	39,870	39,578	39,152	39,306	40,122	40,823	41,299
3 Other securities	10,916	10,907	10,906	10,877	10,876	10,832	11,160	11,429	11,519
4 Federal funds sold[1]	29,026	28,972	30,220	31,660	28,934	30,564	27,071	27,413	30,426
5 To commercial banks in the United States	10,074	7,151	8,702	9,939	6,884	6,720	7,028	5,551	10,080
6 *To others*[2]	18,952	21,821	21,518	21,721	22,049	23,844	20,043	21,862	20,345
7 Other loans and leases, gross	155,823	156,384	159,323	158,731	158,768	157,668	158,100	158,504	159,480
8 Commercial and industrial	99,211	100,189	101,658	100,936	100,325	101,015	101,308	101,214	101,339
9 Bankers acceptances and commercial paper	3,286	3,480	3,530	3,457	3,529	3,616	3,614	3,488	3,365
10 All other	95,925	96,709	98,128	97,480	96,795	97,399	97,694	97,726	97,974
11 U.S. addressees	91,900	92,647	93,936	93,359	92,651	93,299	93,554	93,582	93,811
12 Non-U.S. addressees	4,025	4,061	4,192	4,121	4,144	4,100	4,140	4,144	4,163
13 Loans secured by real estate	27,006	27,049	27,090	27,063	26,984	26,966	26,980	26,940	26,948
14 Loans to depository and financial institutions	21,938	21,825	23,228	23,600	23,925	22,719	22,584	23,486	23,356
15 Commercial banks in the United States	4,903	4,748	5,109	5,199	5,102	4,653	4,610	5,134	4,602
16 Banks in foreign countries	1,826	1,819	1,772	1,784	1,778	1,768	1,760	1,826	1,919
17 Nonbank financial institutions	15,209	15,258	16,346	16,617	17,045	16,298	16,214	16,527	16,835
18 For purchasing and carrying securities	3,705	3,166	3,391	3,235	3,592	3,082	3,345	2,985	3,793
19 To foreign governments and official institutions	366	548	338	328	350	327	328	346	349
20 All other	3,598	3,608	3,619	3,568	3,592	3,559	3,554	3,533	3,696
21 Other assets (claims on nonrelated parties)	34,211	35,894	34,885	34,063	36,559	35,857	34,900	34,314	35,463
22 **Total assets**[3]	**308,491**	**309,643**	**313,117**	**313,540**	**313,088**	**314,049**	**311,238**	**313,289**	**320,245**
LIABILITIES									
23 Deposits or credit balances owed to other than directly related institutions	86,763	88,666	90,917	92,082	88,828	89,610	91,278	93,017	93,292
24 Demand deposits[4]	4,930	4,546	4,601	4,251	3,889	4,228	4,186	4,276	4,639
25 Individuals, partnerships, and corporations	3,987	3,580	3,351	3,387	3,161	3,352	3,286	3,127	3,794
26 Other	943	966	1,250	864	728	877	900	1,150	845
27 Nontransaction accounts	81,833	84,120	86,316	87,831	84,940	85,382	87,091	88,740	88,653
28 Individuals, partnerships, and corporations	53,282	54,845	56,888	57,652	56,689	56,402	57,695	59,123	59,894
29 Other	28,551	29,275	29,428	30,180	28,251	28,980	29,396	29,618	28,759
30 Borrowings from other than directly related institutions	78,925	79,747	79,840	76,387	79,432	79,084	77,084	74,778	81,837
31 Federal funds purchased[5]	39,029	38,941	41,090	37,562	40,700	41,454	38,027	37,002	41,954
32 *From commercial banks in the* United States	9,990	8,799	9,136	7,553	7,775	7,895	7,637	6,129	10,281
33 From others	29,039	30,143	31,954	30,009	32,926	33,559	30,390	30,873	31,673
34 Other liabilities for borrowed money	39,896	40,806	38,750	38,826	38,732	37,630	39,057	37,777	39,882
35 To commercial banks in the United States	7,388	7,512	7,432	7,024	7,277	6,845	6,553	6,446	6,478
36 To others	32,508	33,294	31,318	31,802	31,455	30,785	32,504	31,331	33,404
37 Other liabilities to nonrelated parties	30,101	32,216	31,182	31,375	32,155	32,882	31,383	31,836	33,317
38 **Total liabilities**[6]	**308,491**	**309,643**	**313,117**	**313,540**	**313,088**	**314,049**	**311,238**	**313,289**	**320,245**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	220,757	223,878	226,508	225,709	225,744	226,997	224,815	227,484	228,042
40 Net owed to related institutions abroad	91,053	87,160	89,603	91,614	89,995	88,428	87,885	88,325	85,632

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net due from related institutions abroad.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1994					
	1989	1990	1991	1992	1993	Feb.	Mar.	Apr.	May	June	July
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**525,831**	**562,656**	**528,832**	**545,619**	**555,075**	**560,345**	**557,768**	**553,497**	**559,569**	**563,067**[r]	**572,539**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	183,622	214,706	212,999	226,456	218,947	223,549	216,982	207,180	213,623	214,313	222,780
3 Bank-related (not seasonally adjusted)[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	210,930	200,036	182,463	171,605	180,389	186,318	194,527	199,803	197,812	199,168[r]	199,175
5 Bank-related (not seasonally adjusted)[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies[5]	131,279	147,914	133,370	147,558	155,739	150,478	146,259	146,514	148,134	149,586	150,584
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**62,972**	**54,771**	**43,770**	**38,194**	**32,348**	**30,994**	**31,061**	**31,775**	**29,867**	**30,659**	**30,390**
By holder											
8 Accepting banks	9,433	9,017	11,017	10,555	12,421	11,258	11,727	11,643	11,533	12,334	11,608
9 Own bills	8,510	7,930	9,347	9,097	10,707	10,248	10,758	10,888	10,601	11,273	10,838
10 Bills bought from other banks	924	1,087	1,670	1,458	1,714	1,010	969	755	932	1,061	770
Federal Reserve Banks[7]											
11 Foreign correspondents	1,066	918	1,739	1,276	725	753	693	625	465	453	386
12 Others	52,473	44,836	31,014	26,364	19,202	18,983	18,641	19,507	17,869	17,872	18,396
By basis											
13 Imports into United States	15,651	13,095	12,843	12,209	10,217	10,707	10,554	10,834	10,396	10,625	10,956
14 Exports from United States	13,683	12,703	10,351	8,096	7,293	6,872	6,708	6,723	6,367	6,576	6,399
15 All other	33,638	28,973	20,577	17,890	14,838	13,414	13,800	14,217	13,104	13,458	13,035

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. Series were discontinued in January 1989.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January.
7. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1991—Jan. 1	10.00	1991	8.46	1992—Jan.	6.50	1993—June	6.00
2	9.50	1992	6.25	Feb.	6.50	July	6.00
Feb. 4	9.00	1993	6.00	Mar.	6.50	Aug.	6.00
May 1	8.50			Apr.	6.50	Sept.	6.00
Sept. 13	8.00	1991—Jan.	9.52	May	6.50	Oct.	6.00
Nov. 6	7.50	Feb.	9.05	June	6.50	Nov.	6.00
Dec. 23	6.50	Mar.	9.00	July	6.02	Dec.	6.00
		Apr.	9.00	Aug.	6.00		
1992—July 2	6.00	May	8.50	Sept.	6.00	1994—Jan.	6.00
		June	8.50	Oct.	6.00	Feb.	6.00
1994—Mar. 24	6.25	July	8.50	Nov.	6.00	Mar.	6.06
Apr. 19	6.75	Aug.	8.50	Dec.	6.00	Apr.	6.45
May 17	7.25	Sept.	8.20			May	6.99
Aug. 16	7.75	Oct.	8.00	1993—Jan.	6.00	June	7.25
		Nov.	7.58	Feb.	6.00	July	7.25
		Dec.	7.21	Mar.	6.00	Aug.	7.51
				Apr.	6.00	Sept.	7.75
				May	6.00		

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1991	1992	1993	1994				1994, week ending				
				May	June	July	Aug.	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.69	3.52	3.02	4.01	4.25	4.26	4.47	4.28	4.28	4.26	4.35	4.66
2 Discount window borrowing[2,4]	5.45	3.25	3.00	3.24	3.50	3.50	3.76	3.50	3.50	3.50	3.64	4.00
Commercial paper[3,5,6]												
3 1-month	5.89	3.71	3.17	4.28	4.36	4.49	4.65	4.46	4.45	4.54	4.74	4.79
4 3-month	5.87	3.75	3.22	4.57	4.57	4.75	4.84	4.73	4.71	4.82	4.90	4.90
5 6-month	5.85	3.80	3.30	4.92	4.86	5.13	5.19	5.16	5.13	5.21	5.24	5.18
Finance paper, directly placed[3,5,7]												
6 1-month	5.73	3.62	3.12	4.19	4.27	4.40	4.56	4.37	4.36	4.45	4.64	4.70
7 3-month	5.71	3.65	3.16	4.44	4.44	4.64	4.73	4.63	4.60	4.69	4.78	4.81
8 6-month	5.60	3.63	3.15	4.45	4.50	4.67	4.79	4.72	4.67	4.78	4.82	4.84
Bankers acceptances[3,5,8]												
9 3-month	5.70	3.62	3.13	4.45	4.45	4.65	4.74	4.61	4.61	4.71	4.80	4.79
10 6-month	5.67	3.67	3.21	4.77	4.73	5.01	5.03	5.01	4.94	5.05	5.07	5.04
Certificates of deposit, secondary market[3,9]												
11 1-month	5.82	3.64	3.11	4.23	4.30	4.45	4.60	4.40	4.40	4.50	4.69	4.74
12 3-month	5.83	3.68	3.17	4.51	4.52	4.73	4.81	4.70	4.68	4.79	4.86	4.87
13 6-month	5.91	3.76	3.28	4.90	4.85	5.15	5.17	5.16	5.07	5.20	5.21	5.19
14 Eurodollar deposits, 3-month[3,10]	5.86	3.70	3.18	4.51	4.51	4.74	4.80	4.73	4.68	4.76	4.85	4.86
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	5.38	3.43	3.00	4.14	4.14	4.33	4.48	4.39	4.34	4.40	4.56	4.55
16 6-month	5.44	3.54	3.12	4.60	4.55	4.75	4.88	4.80	4.75	4.91	4.94	4.90
17 1-year	5.52	3.71	3.29	5.03	4.98	5.17	5.25	5.22	5.12	5.29	5.30	5.31
Auction average[3,5,11]												
18 3-month	5.42	3.45	3.02	4.19	4.18	4.39	4.50	4.43	4.35	4.43	4.59	4.62
19 6-month	5.49	3.57	3.14	4.64	4.58	4.81	4.91	4.83	4.75	4.93	4.99	4.98
20 1-year	5.54	3.75	3.33	4.77	5.03	5.20	5.36	5.20	n.a.	n.a.	n.a.	5.36
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	5.86	3.89	3.43	5.31	5.27	5.48	5.56	5.51	5.41	5.60	5.63	5.61
22 2-year	6.49	4.77	4.05	5.97	5.93	6.13	6.18	6.14	6.03	6.23	6.21	6.23
23 3-year	6.82	5.30	4.44	6.34	6.27	6.48	6.50	6.48	6.36	6.58	6.53	6.52
24 5-year	7.37	6.19	5.14	6.78	6.70	6.91	6.88	6.89	6.77	6.96	6.90	6.92
25 7-year	7.68	6.63	5.54	7.01	6.91	7.12	7.06	7.08	6.96	7.14	7.07	7.10
26 10-year	7.86	7.01	5.87	7.18	7.10	7.30	7.24	7.26	7.15	7.31	7.24	7.27
27 20-year	n.a.	n.a.	6.29	7.54	7.51	7.67	7.62	7.60	7.49	7.66	7.63	7.69
28 30-year	8.14	7.67	6.59	7.41	7.40	7.58	7.49	7.52	7.43	7.54	7.46	7.52
Composite												
29 More than 10 years (long-term)	8.16	7.52	6.45	7.47	7.43	7.61	7.55	7.54	7.43	7.60	7.56	7.61
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	6.56	6.09	5.38	5.62	5.76	5.88	5.88	5.91	5.90	5.90	5.90	5.85
31 Baa	6.99	6.48	5.82	6.02	6.15	6.26	6.22	6.30	6.24	6.24	6.24	6.20
32 *Bond Buyer* series[14]	6.92	6.44	5.60	6.19	6.11	6.23	6.21	6.22	6.16	6.25	6.22	6.21
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	9.23	8.55	7.54	8.28	8.27	8.42	8.36	8.36	8.26	8.42	8.35	8.41
Rating group												
34 Aaa	8.77	8.14	7.22	7.99	7.97	8.11	8.07	8.05	7.96	8.12	8.07	8.13
35 Aa	9.05	8.46	7.40	8.19	8.17	8.31	8.25	8.25	8.15	8.30	8.24	8.29
36 A	9.30	8.62	7.58	8.32	8.30	8.44	8.38	8.38	8.28	8.44	8.37	8.43
37 Baa	9.80	8.98	7.93	8.62	8.65	8.80	8.74	8.74	8.64	8.79	8.73	8.79
38 A-rated, recently offered utility bonds[16]	9.32	8.52	7.46	8.37	8.30	8.45	8.36	8.27	8.37	8.35	8.39	8.36
MEMO												
Dividend-price ratio[17]												
39 Preferred stocks[18]	8.17	7.46	6.89	7.44	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
40 Common stocks	3.24	2.99	2.78	2.89	2.84	2.87	2.78	2.85	2.81	2.81	2.78	2.76

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligations based on Thursday figures; Moody's Investors Service.
14. General obligations only, with twenty years to maturity, issued by twenty state and local governmental units of mixed quality. Based on figures for Thursday.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Preferred stock ratio is based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratio is based on the 500 stocks in the price index.
18. Data for the preferred stock yield was discontinued as of June 29, 1994.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1991	1992	1993	1993 Dec.	1994 Jan.	1994 Feb.	1994 Mar.	1994 Apr.	1994 May	1994 June	1994 July	1994 Aug.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	206.35	229.00	249.71	257.73	262.11	261.97	257.32	247.97	249.56	251.21	249.29	256.08
2 Industrial	258.16	284.26	300.10	313.22	320.92	322.41	318.08	304.48	307.58	308.66	307.34	316.56
3 Transportation	173.97	201.02	242.68	268.11	278.29	276.67	265.68	250.43	244.75	246.64	244.21	244.67
4 Utility	92.64	99.48	114.55	114.97	112.67	116.22	107.72	105.04	102.89	103.27	102.73	105.61
5 Finance	150.84	179.29	216.55	216.00	218.71	217.12	211.02	208.12	211.30	215.89	210.91	214.77
6 Standard & Poor's Corporation (1941–43 = 10)[1]	376.20	415.75	451.63	465.95	472.99	471.58	463.81	447.23	450.90	454.83	451.40	464.24
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	360.32	391.28	438.77	465.95	481.14	476.25	465.72	437.01	437.54	436.08	430.10	444.89
Volume of trading (thousands of shares)												
8 New York Stock Exchange	179,411	202,558	263,374	259,457	313,223	307,269	311,096	301,242	269,812	265,341	250,382	277,877
9 American Stock Exchange	12,486	14,171	18,188	17,461	19,211	19,630	19,481	15,805	15,727	18,400	14,378	15,874
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[3]	**36,660**	**43,990**	**60,310**	**60,310**	**61,250**	**62,020**	**61,960**	**60,700**	**59,870**	**60,800**[r]	**61,930**	**63,070**
Free credit balances at brokers[4]												
11 Margin accounts[5]	8,290	8,970	12,360	12,360	12,125	12,890	13,185	13,175	12,715	12,560[r]	12,620	12,090
12 Cash accounts	19,255	22,510	27,715	27,715	26,020	25,665	26,190	24,800	23,265	28,585[r]	25,790	24,400

Indicator	Margin requirements (percent of market value and effective date)[6]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

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

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

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
				1994					
	1991	1992	1993	Mar.	Apr.	May	June	July	Aug.
U.S. budget[1]									
1 Receipts, total	1,054,272	1,090,453	1,153,226	93,108	141,326	83,546	138,124	84,827	97,338
2 On-budget	760,388	788,027	841,292	64,612	104,311	55,367	106,014	60,145	66,207
3 Off-budget	293,885	302,426	311,934	28,496	37,015	28,179	32,110	24,682	31,131
4 Outlays, total	1,323,793	1,380,856	1,408,484	125,423	123,872	115,602[r]	122,923	118,025	121,513
5 On-budget	1,082,106	1,128,518	1,141,897	100,260	100,625	89,729	108,166	93,163	90,537
6 Off-budget	241,687	252,339	266,587	25,163	23,247	25,871	32,290	24,862	30,975
7 Surplus or deficit (−), total	−269,521	−290,403	−255,258	−32,315	17,454	−32,054	14,850	−33,198	−24,174
8 On-budget	−321,719	−340,490	−300,605	−35,648	3,686	−34,362	−2,152	−33,018	−24,330
9 Off-budget	52,198	50,087	45,347	3,333	13,768	2,308	−180	−180	156
Source of financing (total)									
10 Borrowing from the public	276,802	310,918	248,619	26,511	−21,801	27,649	1,898	−3	245
11 Operating cash (decrease, or increase (−))	−1,329	−17,305	6,283	−6,461	−4,124	21,537	−23,797	30,706	−9,815
12 Other[2]	−5,952	−3,210	356	12,265	8,471	−17,132	7,049	2,495	33,744
MEMO									
13 Treasury operating balance (level, end of period)	41,484	58,789	52,506	44,607	48,731	27,194	50,991	20,285	30,100
14 Federal Reserve Banks	7,928	24,586	17,289	6,181	7,965	5,675	9,356	3,683	5,994
15 Tax and loan accounts	33,556	34,203	35,217	38,426	40,766	21,519	41,635	16,603	24,100

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

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

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

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

Millions of dollars

Source or type	Fiscal year 1992	Fiscal year 1993	Calendar year 1992 H2	Calendar year 1993 H1	Calendar year 1993 H2	Calendar year 1994 H1	1994 June	1994 July	1994 Aug.
RECEIPTS									
1 **All sources**	**1,090,453**	**1,153,226**	**540,484**	**593,212**	**582,054**	**651,944**	**138,124**	**84,827**	**97,338**
2 Individual income taxes, net	475,964	509,680	246,938	255,556	262,073	274,736	58,123	37,372	43,170
3 Withheld	408,352	430,211	215,584	209,517	228,423	225,387	37,724	35,360	40,459
4 Presidential Election Campaign Fund	30	28	10	25	2	63	9	6	1
5 Nonwithheld	149,342	154,989	39,288	113,510	41,768	117,928	21,985	3,793	4,000
6 Refunds	*81,760*	*75,546*	*7,942*	*67,468*	*8,114*	*68,642*	*1,596*	*1,786*	*1,305*
Corporation income taxes									
7 Gross receipts	117,951	131,548	58,022	69,044	68,266	80,536	29,812	4,581	4,079
8 Refunds	17,680	14,027	7,219	7,198	6,514	6,933	697	776	971
9 Social insurance taxes and contributions, net	413,689	428,300	192,599	227,177	206,176	248,301	41,509	34,046	39,292
10 Employment taxes and contributions[2]	385,491	396,939	180,758	208,776	192,749	228,714	40,853	32,222	34,020
11 Self-employment taxes and contributions[3]	24,421	20,604	3,988	16,270	4,335	20,762	3,813	93	0
12 Unemployment insurance	23,410	26,556	9,397	16,074	11,010	17,301	290	1,399	4,880
13 Other net receipts[4]	4,788	4,805	2,445	2,326	2,417	2,284	366	424	391
14 Excise taxes	45,569	48,057	23,456	23,398	25,994	26,444	4,596	4,175	5,989
15 Customs deposits	17,359	18,802	9,497	8,860	10,215	9,500	1,711	1,782	2,039
16 Estate and gift taxes	11,143	12,577	5,733	6,494	6,617	8,197	1,068	1,060	1,239
17 Miscellaneous receipts[5]	26,459	18,273	11,458	9,879	9,227	11,164	2,003	2,587	2,502
OUTLAYS									
18 **All types**	**1,380,856**	**1,408,484**	**723,527**	**673,915**	**727,654r**	**709,978r**	**122,923**	**118,025**	**121,513**
19 National defense	298,350	291,086	155,231	140,535	146,177	133,739	24,197	22,147	23,711
20 International affairs	16,107	16,826	9,916	6,565	10,534	5,800	582	893	990
21 General science, space, and technology	16,409	17,030	8,521	7,996	8,904	8,502	1,596	1,236	1,654
22 Energy	4,500	4,319	3,109	2,462	1,641	2,036	261	464	390
23 Natural resources and environment	20,025	20,239	11,467	8,592	11,096r	9,179	1,670	1,635	1,745
24 Agriculture	15,205	20,443	8,852	11,872	7,335	7,451	320	309	382
25 Commerce and housing credit	10,083	−22,725	−7,697	−14,537	−1,724	−5,114	1,016	277	−3,026
26 Transportation	33,333	35,004	18,425	16,076	19,828r	16,772	3,151	3,226	3,719
27 Community and regional development	6,838	9,051	4,464	4,929	5,606	5,592	1,184	1,081	1,138
28 Education, training, employment, and social services	45,248	50,012	21,241	24,080	25,494r	18,976	3,797	2,948	4,342
29 Health	89,497	99,415	47,232	49,882	52,631	53,121	9,729	8,189	9,426
30 Social security and Medicare	406,569	435,137	232,109	195,933	223,735	232,777	43,367	39,297	39,262
31 Income security	196,958	207,257	98,382	107,870	103,156r	109,103	13,139	17,037	16,848
32 Veterans benefits and services	34,138	35,720	18,561	16,385	19,848	16,686	3,011	3,079	3,130
33 Administration of justice	14,426	14,955	7,238	7,482	7,448	7,718	1,136	1,440	1,204
34 General government	12,990	13,009	8,223	5,205	6,565	5,076	1,715	−13	1,325
35 Net interest[6]	199,421	198,811	98,692	99,635	99,963	99,844	15,880	17,956	18,322
36 Undistributed offsetting receipts[7]	−39,280	−37,386	−20,628	−17,035	−20,407	−17,308	−2,827	−3,176	−3,051

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for 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. Includes interest received by trust funds.
7. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; and U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1995.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1992			1993				1994	
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
1 **Federal debt outstanding**	**4,001**	**4,083**	**4,196**	**4,250**	**4,373**	**4,436**	**4,562**	**4,602**	**4,673**
2 Public debt securities	3,985	4,065	4,177	4,231	4,352	4,412	4,536	4,576	
3 Held by public	2,977	3,048	3,129	3,188	3,252	3,295	3,382	3,434	
4 Held by agencies	1,008	1,016	1,048	1,043	1,100	1,117	1,154	1,142	
5 Agency securities	16	18	19	20	21	25	27	26	n.a.
6 Held by public	16	18	19	20	21	25	27	26	
7 Held by agencies	0	0	0	0	0	0	0	0	
8 **Debt subject to statutory limit**	**3,891**	**3,973**	**4,086**	**4,140**	**4,256**	**4,316**	**4,446**	**4,491**	**4,559**
9 Public debt securities	3,890	3,972	4,085	4,139	4,256	4,315	4,445	4,491	4,559
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,145	4,145	4,145	4,145	4,370	4,900	4,900	4,900	4,900

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

SOURCES. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

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

Billions of dollars, end of period

Type and holder	1990	1991	1992	1993	1993		1994	
					Q3	Q4	Q1	Q2
1 **Total gross public debt**	**3,364.8**	**3,801.7**	**4,177.0**	**4,535.7**	**4,411.5**	**4,535.7**	**4,575.9**	
By type								
2 Interest-bearing	3,362.0	3,798.9	4,173.9	4,532.3	4,408.6	4,532.3	4,572.6	4,642.5
3 Marketable	2,195.8	2,471.6	2,754.1	2,989.5	2,904.9	2,989.5	3,042.9	3,051.0
4 Bills	527.4	590.4	657.7	714.6	658.4	714.6	721.1	698.4
5 Notes	1,265.2	1,430.8	1,608.9	1,764.0	1,734.2	1,764.0	1,802.5	1,835.7
6 Bonds	388.2	435.5	472.5	495.9	497.4	495.9	504.2	501.8
7 Nonmarketable[1]	1,166.2	1,327.2	1,419.8	1,542.9	1,503.7	1,542.9	1,529.7	1,591.5
8 State and local government series	160.8	159.7	153.5	149.5	149.5	149.5	145.5	143.4
9 Foreign issues[2]	43.5	41.9	37.4	43.5	42.5	43.5	42.7	42.2
10 Government	43.5	41.9	37.4	43.5	42.5	43.5	42.7	42.2
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	124.1	135.9	155.0	169.4	167.0	169.4	172.6	174.9
13 Government account series[3]	813.8	959.2	1,043.5	1,150.0	1,114.3	1,150.0	1,138.4	1,200.6
14 Non-interest-bearing	2.8	2.8	3.1	3.4	2.9	3.4	3.3	
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	828.3	968.7	1,047.8	1,153.5	1,116.7	1,153.5	1,141.7	
16 Federal Reserve Banks	259.8	281.8	302.5	334.2	325.7	334.2	342.6	
17 Private investors	2,288.3	2,563.2	2,839.9	3,047.7	2,983.0	3,047.7	3,094.6	
18 Commercial banks	171.5	233.4	294.0	316.0	313.3	316.0	344.3	
19 Money market funds	45.4	80.0	79.4	80.5	75.2	80.5	70.5	
20 Insurance companies	142.0	168.7	197.5	216.0	215.5	216.0	218.1	n.a.
21 Other companies	108.9	150.8	192.5	213.0	215.6	213.0	216.3	
22 State and local treasuries	490.4	520.3	534.8	564.0	558.0	564.0	582.8	
Individuals								
23 Savings bonds	126.2	138.1	157.3	171.9	169.1	171.9	175.0	
24 Other securities	107.6	125.8	131.9	137.9	136.7	137.9	140.1	
25 Foreign and international[5]	458.4	491.8	549.7	623.3	592.3	623.3	633.5	
26 Other miscellaneous investors[6]	637.7	651.3	702.4	725.0	707.2	725.0	714.0	

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign balances and international accounts in the United States.
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. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin.*

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

Millions of dollars, daily averages

Item	1994			1994, week ending									
	May	June	July	July 6	July 13	July 20	July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
OUTRIGHT TRANSACTIONS[2]													
By type of security													
1 U.S. Treasury bills	0	0	48,137	44,292	47,024	53,391	46,778	46,949	53,927	57,258	55,638	46,251
Coupon securities, by maturity												
2 Five years or less	0	0	78,977	59,771	71,909	87,157	88,035	82,359	92,868	95,597	89,903	58,879
3 More than five years	0	0	38,985	36,722	37,990	37,820	39,015	47,704	59,820	60,786	46,399	38,257
4 Federal agency	0	0	15,536	16,162	14,887	15,426	15,383	16,875	13,037	15,214	16,962	18,255
5 Mortgage-backed	0	0	37,606	33,328	51,956	40,004	25,843	31,561	49,059	34,827	24,249	22,165
By type of counterparty												
Interdealer broker securities												
6 U.S. Treasury	0	0	94,926	76,060	90,041	104,711	99,507	99,520	118,645	121,583	105,674	79,274
7 Federal agency	0	0	731	651	913	836	502	703	635	662	552	881
8 Mortgage-backed	0	0	13,306	9,161	18,519	14,149	10,448	11,524	17,355	12,864	8,957	9,351
Other securities												
9 U.S. Treasury	0	0	71,173	64,725	66,882	73,657	74,321	77,492	87,970	92,058	86,266	64,113
10 Federal agency	0	0	14,805	15,511	13,974	14,590	14,881	16,172	12,402	14,552	16,410	17,374
11 Mortgage-backed	0	0	24,301	24,167	33,437	25,855	15,395	20,037	31,704	21,963	15,292	12,814
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	0	0	914	663	799	1,109	1,049	753	1,069	708	713	802
Coupon securities, by maturity												
12 Five years or less	0	0	2,692	3,005	2,230	3,104	2,671	2,397	2,860	2,630	3,202	2,652
13 More than five years	0	0	12,198	10,718	12,090	13,676	11,009	13,964	12,613	15,667	12,776	13,196
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
Coupon securities, by maturity												
15 Five years or less	0	0	3,493[r]	2,487[r]	3,558[r]	3,687	3,377	4,642	4,616	4,518	3,623	3,308
16 More than five years	0	0	4,068[r]	3,925[r]	3,238[r]	4,665	3,863	5,377	4,538	6,153	5,333	4,493
17 Mortgage-backed securities	0	0	791[r]	1,303[r]	925[r]	605	564	725	1,246	563	577	286

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Transactions for immediate delivery include purchases or sales of securities (other than mortgage-backed agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

3. Futures transactions are standardized agreements arranged on an exchange. Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. All futures transactions are included regardless of time to delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. In tables 1.42 and 1.43, "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

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

Millions of dollars

Item	1994			1994, week ending							
	May	June	July	July 6[r]	July 13	July 20	July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24
	Positions[2]										
NET IMMEDIATE POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	0	0	4,837	−4,577	1,340	9,697	8,808	9,623	4,752	2,727	2,465
Coupon securities, by maturity											
2 Five years or less	0	0	−19,174	−20,021	−19,987	−23,672	−15,263	−15,433	−11,910	−11,630	−8,669
3 More than five years	0	0	−28,673	−28,995	−29,622	−28,765	−28,308	−27,005	−24,096	−21,098	−23,282
4 Federal agency	0	0	19,979	18,585	18,465	19,706	22,040	21,588	18,599	18,568	17,358
5 Mortgage-backed	0	0	45,633	42,794	46,128	46,317	47,093	45,272	44,401	42,927	41,492
FUTURES AND FORWARD POSITIONS, NET[4]											
By type of deliverable security											
6 U.S. Treasury bills	0	0	−3,552	−2,092	−1,816	−5,542	−3,510	−5,370	−5,976	−5,129	−5,472
Coupon securities, by maturity											
7 Five years or less	0	0	5,623	2,844	4,976	7,058	6,840	6,283	6,285	6,138	4,256
8 More than five years	0	0	−616	−1,994	2,413	−14	−1,103	−4,050	−4,697	−6,644	−5,839
	Financing[5]										
Reverse repurchase agreements											
9 Overnight and continuing	282,976	258,155	254,524[r]	244,900	254,867	259,537	252,847	262,518	273,709	302,287	259,585
10 Term	377,460	400,429	397,577[r]	360,647	397,103	407,094	423,622	391,571	419,773	354,941	392,886
Securities borrowed											
11 Overnight and continuing	160,263[r]	155,361[r]	167,116[r]	163,581	169,574	168,130	164,374	171,144	171,501	181,630	177,263
12 Term	30,886[r]	37,849[r]	51,906[r]	50,217	51,597	54,536	52,873	48,689	48,122	40,103	42,709
13 Securities received as pledge, overnight and continuing	0[r]	0[r]	2,313[r]	2,095	2,241	2,505	2,320	2,416	1,960	2,199	1,998
Repurchase agreements											
14 Overnight and continuing	469,689[r]	450,891[r]	465,675[r]	454,994	460,135	478,967	459,043	479,736	484,671	538,439	470,997
15 Term	351,134	375,461	363,779[r]	316,538	361,112	368,517	402,650	362,989	397,281	324,519	372,580
Securities loaned											
16 Overnight and continuing	3,533	3,680	4,323[r]	4,530	4,277	4,632	3,936	4,229	3,488	4,190	4,149
17 Term	573[r]	1,692[r]	1,372[r]	934	1,111	1,677	1,717	1,351	572	1,296	1,272
Securities pledged											
18 Overnight and continuing	0[r]	0[r]	34,700[r]	38,900	36,091	33,467	32,525	31,932	24,720	28,704	28,036
19 Term	0[r]	0[r]	1,085[r]	1,186	1,151	1,170	940	924	7,369	2,944	3,293
20 Collateralized loans, overnight and continuing	21,179[r]	25,349[r]	20,164[r]	14,756	21,900	20,223	21,190	23,340	22,509	23,038	22,564
MEMO: Matched book[6]											
Securities in											
21 Overnight and continuing	211,581	195,019	207,656[r]	193,545	199,027	209,765	215,230	226,981	236,598	256,444	231,074
22 Term	327,691	349,644	369,889[r]	330,820	369,888	378,989	394,368	369,733	390,674	328,070	358,442
Securities out											
23 Overnight and continuing	244,382[r]	239,337[r]	268,075[r]	248,101	260,070	273,605	276,288	287,993	292,688	318,338	281,314
24 Term	275,999	290,450	294,642[r]	255,248	295,386	292,233	326,707	300,536	334,643	266,804	302,740

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions of mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

4. Futures positions reflect standardized agreements arranged on an exchange. Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. All futures positions are included regardless of time to delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1990	1991	1992	1993	1994				
					Feb.	Mar.	Apr.	May	June
1 **Federal and federally sponsored agencies**	**0**	**411,805**	**434,668**	**442,772**	**592,751**	**604,421**	**619,302**	**633,366**	**646,661**
2 Federal agencies	0	35,664	42,159	41,035	44,753	44,291	44,390	43,681[r]	43,040
3 Defense Department[1]	0	7	7	7	6	6	6	6	6
4 Export-Import Bank[2,3]	0	10,985	11,376	9,809	5,315	4,853	4,853	4,853	4,386
5 Federal Housing Administration[4]	0	328	393	397	99	114	123	131[r]	138
6 Government National Mortgage Association certificates of participation[5]	0	0	0	0	0	0	0	0	0
7 Postal Service[6]	0	6,445	6,948	8,421	9,732	9,732	9,732	9,473	9,473
8 Tennessee Valley Authority	0	17,899	23,435	22,401	29,601	29,586	29,676	29,218	29,037
9 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	0	375,428	392,509	401,737	547,998	560,130	574,912	589,685	603,621
11 Federal Home Loan Banks	0	136,108	117,895	107,543	137,862	147,309	153,539	156,955	160,822
12 Federal Home Loan Mortgage Corporation	0	26,148	30,941	30,262	70,482	62,908	65,621	71,274	73,340
13 Federal National Mortgage Association	0	116,064	123,403	133,937	206,493	216,430	218,845	223,173	227,897
14 Farm Credit Banks[8]	0	54,864	53,590	52,199	52,839	52,433	52,672	52,534	53,692
15 Student Loan Marketing Association[9]	0	28,705	34,194	38,319	40,407	41,120	44,306	45,820	47,940
16 Financing Corporation[10]	0	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	0	847	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	0	4,522	23,055	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt[13]**	**0**	**134,873**	**179,083**	**185,576**	**123,304**	**120,103**	**118,386**	**116,092**	**115,603**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	0	10,979	11,370	9,803	5,309	4,847	4,847	4,847	4,383
21 Postal Service[6]	0	6,195	6,698	8,201	9,732	9,732	9,732	9,473	9,473
22 Student Loan Marketing Association	0	4,880	4,850	4,820	1,760	0	0	0	0
23 Tennessee Valley Authority	0	16,519	14,055	10,725	6,075	6,075	6,075	4,675	4,375
24 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
Other lending[14]									
25 Farmers Home Administration	0	53,311	52,324	48,534	38,619	38,209	37,839	37,124	35,999
26 Rural Electrification Administration	0	19,265	18,890	18,562	17,512	17,360	17,360	17,419	17,357
27 Other	0	23,724	70,896	84,931	43,667	43,880	42,533	42,554	44,016

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans' Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1991	1992r	1993	1994 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
1 **All issues, new and refunding**[1]	**154,402**	**226,818**	**279,945**	**16,560**	**14,698**	**15,461**	**10,129**	**12,388**	**14,779**	**12,450**	**11,294**
By type of issue											
2 General obligation	55,100	78,611	90,599	5,105	4,365	7,371	3,469	4,029	5,556	7,110	3,996
3 Revenue	99,302	136,580	189,346	11,455	8,553	8,090	6,660	8,359	9,223	5,340	7,298
By type of issuer											
4 State	24,939	24,874	27,999	1,235	921	3,302	1,013	1,158	1,733	4,686	1,665
5 Special district or statutory authority[2]	80,614	138,327	178,714	10,672	10,263	6,145	5,235	8,085	9,335	4,931	7,103
6 Municipality, county, or township	48,849	63,617	73,232	4,653	3,514	6,014	3,881	3,145	3,711	2,833	2,526
7 **Issues for new capital**	**116,953**	**101,865**	**91,434**	**5,558**	**8,774**	**10,114**	**8,147**	**9,125**	**9,726**	**10,348**	n.a.
By use of proceeds											
8 Education	21,121	18,852	16,831	1,573	2,292	1,859	2,102	1,933	1,945	1,147	2,035
9 Transportation	13,395	14,357	9,167	293	1,223	401	1,453	1,037	2,033	290	1,080
10 Utilities and conservation	21,039	12,164	12,014	480	243	540	707	423	856	694	885
11 Social welfare	25,648	16,744	13,837	813r	1,648r	1,227r	1,475r	2,136r	1,312r	1,698r	2,117
12 Industrial aid	8,376	6,188	6,862	392	1,316	470	601	657	935	959	838
13 Other purposes	30,275	33,560	32,723	2,007r	2,052r	5,617r	1,809r	2,939r	2,645r	5,560r	2,925

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

SOURCES. Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1991	1992	1993	1993 Dec.	1994 Jan.	Feb.r	Mar.	Apr.	May	June	July
1 **All issues**[1]	**465,246**	**559,827**	**764,509**	**44,344**	**58,445r**	**47,175**	**52,188r**	**34,828r**	**43,809r**	**43,157r**	**23,751**
2 **Bonds**[2]	**389,822**	**471,502**	**641,498**	**33,813**	**52,652r**	**39,369**	**42,984r**	**29,363r**	**40,203r**	**36,810r**	**20,100**
By type of offering											
3 Public, domestic	286,930	378,058	486,879	32,232	47,208r	32,052	40,410r	26,154r	33,028r	31,941r	17,500
4 Private placement, domestic[3]	74,930	65,853	116,240	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	27,962	27,591	38,379	1,582	5,444	7,317	2,574	3,209	7,175	4,869	2,600
By industry group											
6 Manufacturing	86,628	82,058	88,002	3,068	4,785	3,586	2,421	2,229	2,302r	2,217	2,271
7 Commercial and miscellaneous	36,666	43,111	60,443	2,525	2,869	2,153	3,020	940	2,446r	3,059r	1,500
8 Transportation	13,598	9,979	10,756	895	693	100	920	97	150	1,082	223
9 Public utility	23,944	48,055	56,272	2,336	2,466	1,768	1,632	546	1,021	631	1,000
10 Communication	9,431	15,394	31,950	2,001	2,592	2,115	2,090	1,298	934	573r	800
11 Real estate and financial	219,555	272,904	394,076	22,989	39,247r	29,647	32,901r	24,253r	33,351r	29,249r	14,306
12 **Stocks**[2]	**75,424**	**88,325**	n.a.	**10,531**	**5,793**	**7,806**	**9,210r**	**5,465r**	**3,673r**	**6,347r**	**3,651**
By type of offering											
13 Public preferred	17,085	21,339	20,533	650	1,592	1,318	1,969	2,248	695	1,366	599
14 Common	48,230	57,118	90,559	9,881	4,200r	6,488	7,241r	3,218r	2,978r	4,981r	3,053
15 Private placement[3]	10,109	9,867	11,917	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	24,111	22,723	22,271	2,267	1,486r	1,558	2,499r	2,696r	956	1,056	489
17 Commercial and miscellaneous	19,418	20,231	25,761	1,970	1,472r	1,630	1,491r	773r	905	1,853	702
18 Transportation	2,439	2,595	2,237	162	78	589	358r	106	104	449	75
19 Public utility	3,474	6,532	7,050	129	293	43	480	75	239	297	n.a.
20 Communication	475	2,366	3,439	1,603	n.a.	120	0	0	32	28	n.a.
21 Real estate and financial	25,507	33,879	49,889	4,381	2,463r	3,867	4,381	1,815r	1,437r	2,663r	2,386

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCES. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1992	1993	1993	1994						
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 **Sales of own shares**[2]	**647,055**	n.a.	**89,775**	**98,679**	**78,032**	**87,381**	**71,164**	**65,179**	**65,333**	**59,672**
2 Redemptions of own shares	447,140	n.a.	62,764	61,829	56,235	73,395	61,925	55,036	56,068	50,563
3 Net sales[3]	199,915	n.a.	27,011	36,849	21,797	13,986	9,239	10,144	9,265	9,109
4 **Assets**[4]	**1,056,310**	n.a.	**1,510,047**	**1,572,907**	**1,561,705**	**1,500,745**	**1,510,827**	**1,529,478**	**1,509,998**	**1,552,410**
5 Cash[5]	73,999	n.a.	100,209	110,022	113,975	112,399	118,221	119,982	114,885	120,580
6 Other	982,311	n.a.	1,409,838	1,462,879	1,447,730	1,388,347	1,392,606	1,409,496	1,395,113	1,431,830

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

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

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993	1992		1993				1994	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[r]
1 Profits with inventory valuation and capital consumption adjustment	390.3	405.1	485.8	363.2	432.5	442.5	473.1	493.5	533.9	508.2	546.4
2 Profits before taxes	365.2	395.9	462.4	359.5	413.5	432.7	456.6	458.7	501.7	483.5	523.1
3 Profits-tax liability	131.1	139.7	173.2	124.6	148.6	159.8	171.8	169.9	191.5	184.1	201.7
4 Profits after taxes	234.1	256.2	289.2	234.9	264.8	273.0	284.8	288.9	310.2	299.4	321.4
5 Dividends	160.0	171.1	191.7	174.4	182.1	188.2	190.7	193.2	194.6	196.3	202.5
6 Undistributed profits	74.1	85.1	97.5	60.5	82.7	84.7	94.1	95.6	115.6	103.0	118.9
7 Inventory valuation	5.8	−6.4	−6.2	−7.3	2.1	−11.2	−10.0	3.0	−6.5	−12.3	−14.1
8 Capital consumption adjustment	19.4	15.7	29.5	10.9	16.9	21.0	26.5	31.7	38.8	37.0	37.4

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.50 NONFARM BUSINESS EXPENDITURES New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1992	1993	1994[1]	1993				1994			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3[1]	Q4[1]
1 **Total nonfarm business**	**546.60**	**586.73**	**638.37**	**563.48**	**578.95**	**594.56**	**604.51**	**619.34**	**637.08**	**651.92**	**645.13**
Manufacturing											
2 Durable goods industries	73.32	81.45	92.78	78.19	80.33	82.74	83.64	86.03	91.71	98.97	94.44
3 Nondurable goods industries	100.69	98.02	99.77	95.80	97.22	99.74	98.51	99.02	102.28	98.39	99.39
Nonmanufacturing											
4 Mining	8.88	10.08	11.24	8.98	9.10	11.09	10.92	11.43	10.70	11.57	11.27
Transportation											
5 Railroad	6.67	6.14	6.72	6.16	5.94	5.89	6.55	7.46	5.36	6.65	7.40
6 Air	8.93	6.42	3.95	7.26	6.63	6.70	5.06	4.23	4.53	3.86	3.16
7 Other	7.04	9.22	10.53	8.96	8.92	8.74	10.23	10.77	9.70	10.22	11.42
Public utilities											
8 Electric	48.22	52.55	52.25	49.98	50.61	52.96	55.60	48.68	53.55	54.15	52.60
9 Gas and other	23.99	23.43	24.20	23.79	23.83	22.98	23.27	24.51	22.96	24.35	24.97
10 Commercial and other[2]	268.84	299.44	336.93	284.35	296.35	303.74	310.73	327.20	336.28	343.76	340.48

1. Figures are amounts anticipated by business.
2. "Other" consists of construction, wholesale and retail trade, finance and insurance, personal and business services, and communication.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1991	1992	1993	1992		1993				1994
				Q3	Q4	Q1	Q2	Q3	Q4	Q1
ASSETS										
1 Accounts receivable, gross[2]	480.6	482.1	476.1	473.9	482.1	469.6	469.3	467.6	476.1	488.1
2 Consumer	121.9	117.1	117.5	116.7	117.1	111.9	111.3	112.6	117.5	120.1
3 Business	292.9	296.5	290.1	288.5	296.5	289.6	290.7	287.8	290.1	299.0
4 Real estate	65.8	68.4	68.6	68.8	68.4	68.1	67.2	67.2	68.6	69.0
5 LESS: Reserves for unearned income	55.1	50.8	49.0	50.8	50.8	47.4	47.5	47.9	49.0	49.3
6 Reserves for losses	12.9	15.8	11.0	12.0	15.8	15.5	13.8	11.1	11.0	11.5
7 Accounts receivable, net	412.6	415.5	416.1	411.1	415.5	406.6	408.0	408.6	416.1	427.3
8 All other	149.0	150.6	177.3	146.5	150.6	155.0	156.6	169.7	177.3	177.0
9 **Total assets**	**561.6**	**566.1**	**593.4**	**557.6**	**566.1**	**561.6**	**564.6**	**578.3**	**593.4**	**604.3**
LIABILITIES AND CAPITAL										
10 Bank loans	42.3	37.6	25.3	38.1	37.6	34.1	29.5	25.8	25.3	24.2
11 Commercial paper	159.5	156.4	159.2	153.2	156.4	149.8	144.5	149.9	159.2	165.9
Debt										
12 Other short-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Owed to parent	34.5	37.8	46.1	34.9	37.8	41.9	46.4	47.9	46.1	44.9
15 Not elsewhere classified	191.3	195.3	199.9	191.4	195.3	195.1	195.8	198.1	199.9	205.3
16 All other liabilities	69.0	71.2	91.1	73.7	71.2	74.2	81.3	87.6	91.1	94.3
17 Capital, surplus, and undivided profits	64.8	67.8	71.7	68.1	67.8	66.6	67.1	68.9	71.7	69.7
18 **Total liabilities and capital**	**561.2**	**566.1**	**593.4**	**559.4**	**566.1**	**561.7**	**564.6**	**578.3**	**593.4**	**604.3**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1991	1992	1993	1994					
				Feb.	Mar.	Apr.	May	June	July
	Seasonally adjusted								
1 **Total**	**519,716**	**530,603**	**537,947**	**544,335**	**554,342**	**557,121**	**564,902**	**567,488**	**563,576**
2 Consumer	154,951	157,075	162,057	161,446	163,493	163,763	165,126	167,313	165,047
3 Real estate[2]	65,925	68,556[r]	68,731	69,438	69,669	69,815	71,402	70,966	72,121
4 Business	298,840	304,972	307,159	313,451	321,180	323,543	328,374	329,209	326,408
	Not seasonally adjusted								
5 **Total**	**523,354**	**534,934**	**542,700**	**542,894**	**553,810**	**558,208**	**562,600**	**567,798**	**561,676**
6 Consumer	155,908	158,398	163,629	161,367	163,484	164,257	163,873	166,267	164,071
7 Motor vehicles	63,415	57,605	55,274	56,963	57,797	59,458	56,614	56,932	58,191
8 Other consumer[3]	58,522	59,522	62,189	61,132	62,264	63,387	64,161	66,064	64,649
9 Securitized motor vehicles[4]	23,361	29,734	36,024	33,451	33,173	31,328	32,623	32,705	31,848
10 Securitized other consumer[4]	10,610	11,537	10,141	9,821	10,250	10,084	10,475	10,566	9,383
11 Real estate[2]	65,760	68,410	68,577	69,446	69,005	70,114	70,920	70,475	72,059
12 Business	301,686	308,126[r]	310,495	312,081	321,321	323,837	327,807	331,056	325,546
13 Motor vehicles	90,613	87,456	90,172	90,668	95,719	97,727	99,311	101,711	99,860
14 Retail[5]	22,957	19,303	16,024	17,514	19,162	19,632	19,790	20,587	21,090
15 Wholesale[6]	31,216	29,962	31,067	29,435	31,070	31,059	31,019	31,084	26,068
16 Leasing	36,440	38,191	43,081	43,720	45,487	47,036	48,501	50,040	52,702
17 Equipment	141,399	151,607	148,858	147,425	149,721	151,150	154,568	155,179	153,755
18 Retail	30,962	32,212	33,266	33,033	33,861	34,602	35,429	36,037	36,277
19 Wholesale[6]	9,671	8,669	8,007	7,972	8,281	8,295	8,403	8,441	8,885
20 Leasing	100,766	110,726	107,585	106,420	107,579	108,253	110,736	110,701	108,594
21 Other business[7]	60,900	57,464	51,054	51,489	53,596	53,352	51,818	52,709	52,398
22 Securitized business assets[4]	8,774	11,599	20,411	22,499	22,285	21,607	22,111	21,456	19,533
23 Retail	576	1,120	2,483	2,245	2,119	2,058	2,406	2,619	2,480
24 Wholesale	5,285	5,756	9,727	13,084	13,090	13,098	13,348	13,033	11,632
25 Leasing	2,913	4,723	8,201	7,170	7,076	6,451	6,357	5,804	5,421

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1991	1992	1993	1994 Feb.	Mar.	Apr.	May	June	July	Aug.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	155.0	158.1	163.1	157.9	167.8	166.1	171.6	172.6	166.0	167.6
2 Amount of loan (thousands of dollars)	114.0	118.1	123.0	124.1	131.0	127.6	132.2	130.0	129.0	129.3
3 Loan-to-price ratio (percent)	75.0	76.6	78.0	80.2	80.2	79.3	78.5	78.0	79.4	79.0
4 Maturity (years)	26.8	25.6	26.1	27.0	27.6	26.7	27.6	26.5	27.5	28.0
5 Fees and charges (percent of loan amount)[2]	1.71	1.60	1.30	1.16	1.20	1.16	1.45	1.30	1.35	1.38
Yield (percent per year)										
6 Contract rate[1]	9.02	7.98	7.02	6.67	6.81	7.13	7.20	7.41	7.50	7.45
7 Effective rate[1,3]	9.30	8.25	7.24	6.85	6.99	7.31	7.43	7.62	7.71	7.67
8 Contract rate (HUD series)[4]	9.20	8.43	7.37	7.54	8.31	8.56	8.61	8.72	8.64	8.68
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	9.25	8.46	7.46	7.59	8.57	8.63	8.63	9.03	8.65	8.66
10 GNMA securities[6]	8.59	7.71	6.65	6.72	7.40	7.93	8.05	8.01	8.23	8.15
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	128,983	158,119	190,861	196,078	197,770	201,542	206,147	208,180	210,666	212,680
12 FHA/VA insured	21,796	22,593	23,857	23,789	24,226	25,088	25,303	25,390	25,477	25,604
13 Conventional	107,187	135,526	167,004	172,289	173,544	176,454	180,844	182,790	185,189	187,076
Mortgage transactions (during period)										
14 Purchases	37,202	75,905	92,037	5,427	5,820	6,677	7,238	4,386	4,628	4,077
Mortgage commitments (during period)										
15 Issued[7]	40,010	74,970	92,537	4,858	8,683	4,788	3,801	4,268	3,798	3,776
16 To sell[8]	7,608	10,493	5,097	525	136	90	281	1	0	0
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	26,809	33,665	55,012	57,245	58,498	59,352	60,799	62,232	62,993	64,118
18 FHA/VA insured	460	352	321	318	315	309	304	299	296	291
19 Conventional	26,349	33,313	54,691	56,928	59,184	59,043	60,495	61,933	62,697	63,827
Mortgage transactions (during period)										
20 Purchases	99,965	191,125	229,242	17,840	15,970	14,589	10,629	8,341	6,535	6,407
21 Sales	92,478	179,208	208,723	16,719	14,486	14,175	10,228	8,097	6,338	5,828
Mortgage commitments (during period)[9]										
22 Contracted	114,031	261,637	274,599	12,880	22,533	22,765	9,586	7,252	5,820	5,649

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

	Type of holder and property	1990	1991	1992	1993			1994	
					Q2	Q3	Q4	Q1	Q2[p]
1	**All holders**	**3,762,872**	**3,924,782**	**4,049,256**	**4,109,649[r]**	**4,167,465[r]**	**4,209,912[r]**	**4,236,258[r]**	**4,279,533**
	By type of property								
2	One- to four-family residences	2,616,288	2,780,044	2,959,558	3,034,990[r]	3,095,463[r]	3,144,895[r]	3,178,154[r]	3,217,521
3	*Multifamily residences*	*309,369*	*306,410*	*295,417*	*291,258[r]*	*290,544[r]*	*290,346[r]*	*288,994[r]*	291,587
4	Commercial	758,313	759,023	713,862	702,720[r]	700,642[r]	693,824[r]	688,144[r]	688,226
5	Farm	78,903	79,306	80,419	80,681[r]	80,816[r]	80,847[r]	80,966[r]	82,199
	By type of holder								
6	Major financial institutions	1,914,315	1,846,726	1,769,187	1,765,667[r]	1,769,890[r]	1,767,685[r]	1,746,317[r]	1,760,541
7	Commercial banks[2]	844,826	876,100	894,513	910,989	922,610[r]	940,293[r]	937,973[r]	956,767
8	One- to four-family	455,931	483,623	507,780	526,817	537,602[r]	556,443[r]	554,125[r]	568,757
9	Multifamily	37,015	36,935	38,024	38,058	37,652[r]	38,630[r]	38,456[r]	39,074
10	Commercial	334,648	337,095	328,826	325,519	326,508[r]	324,359[r]	324,147[r]	327,021
11	Farm	17,231	18,447	19,882	20,595	20,848[r]	20,861[r]	21,246[r]	21,916
12	Savings institutions[3]	801,628	705,367	627,972	612,435[r]	609,654[r]	598,330[r]	584,345[r]	585,525
13	One- to four-family	600,154	538,358	489,622	480,696[r]	478,456[r]	469,959[r]	457,982[r]	462,122
14	Multifamily	91,806	79,881	69,791	68,306[r]	68,440[r]	67,362[r]	66,903[r]	66,336
15	Commercial	109,168	86,741	68,235	63,111	62,439[r]	60,704[r]	59,163[r]	56,767
16	Farm	500	388	324	322	320	305	297	301
17	Life insurance companies	267,861	265,258	246,702	242,243[r]	237,626[r]	229,061[r]	223,999[r]	218,249
18	One- to four-family	13,005	11,547	11,441	11,218[r]	11,001[r]	10,578[r]	10,340[r]	10,064
19	Multifamily	28,979	29,562	27,770	27,227[r]	26,701[r]	25,676[r]	25,098[r]	24,426
20	*Commercial*	*215,121*	*214,105*	*198,269*	*194,396[r]*	*190,638[r]*	*183,322[r]*	179,191[r]	174,398
21	Farm	10,756	10,044	9,222	9,402[r]	9,287[r]	9,484[r]	9,370[r]	9,361
22	*Federal and related agencies*	239,003	*266,146*	286,263	298,991	309,579	321,486	325,835	332,543
23	Government National Mortgage Association	20	19	30	45	43	22	20	12
24	One- to four-family	20	19	30	38	37	15	13	12
25	Multifamily	0	0	0	7	7	7	7	0
26	Farmers Home Administration[4]	41,439	41,713	41,695	41,446	41,424	41,386	41,209	41,370
27	One- to four-family	18,527	18,496	16,912	16,133	15,714	15,303	14,870	14,459
28	Multifamily	9,640	10,141	10,575	10,739	10,830	10,940	11,037	11,147
29	Commercial	4,690	4,905	5,158	5,250	5,347	5,406	5,399	5,526
30	Farm	8,582	8,171	9,050	9,324	9,533	9,739	9,903	10,239
31	Federal Housing and Veterans' Administrations	8,801	10,733	12,581	12,945	11,797	12,215	11,344	11,169
32	One- to four-family	3,593	4,036	5,153	5,635	4,850	5,364	4,738	4,826
33	Multifamily	5,208	6,697	7,428	7,311	6,947	6,851	6,606	6,343
34	Resolution Trust Corporation	32,600	45,822	32,045	21,973	19,925	17,284	14,241	13,908
35	One- to four-family	15,800	14,535	12,960	8,955	8,381	7,203	6,312	6,030
36	Multifamily	8,064	15,018	9,621	6,743	6,002	5,327	4,190	4,181
37	Commercial	8,736	16,269	9,464	6,275	5,543	4,754	3,739	3,697
38	Farm	0	0	0	0	0	0	0	0
39	Federal National Mortgage Association	104,870	112,283	137,584	151,513	160,721	166,642	172,343	175,377
40	One- to four-family	94,323	100,387	124,016	137,340	146,009	151,310	156,576	159,437
41	Multifamily	10,547	11,896	13,568	14,173	14,712	15,332	15,767	15,940
42	Federal Land Banks	29,416	28,767	28,664	28,592	28,810	28,460	28,181	28,475
43	One- to four-family	1,838	1,693	1,687	1,682	1,695	1,675	1,658	1,675
44	Farm	27,577	27,074	26,977	26,909	27,115	26,785	26,523	26,800
45	Federal Home Loan Mortgage Corporation	21,857	26,809	33,665	42,477	46,859	55,476	58,498	62,232
46	One- to four-family	19,185	24,125	31,032	39,905	44,315	52,929	55,942	59,652
47	Multifamily	2,672	2,684	2,633	2,572	2,544	2,547	2,556	2,580
48	Mortgage pools or trusts[5]	1,079,103	1,250,666	1,425,546	1,473,323	1,514,002	1,546,818	1,602,595	1,639,946
49	Government National Mortgage Association	403,613	425,295	419,516	413,166	415,076	414,066	423,446	435,709
50	One- to four-family	391,505	415,767	410,675	404,425	405,963	404,864	414,194	426,363
51	Multifamily	12,108	9,528	8,841	8,741	9,113	9,202	9,251	9,346
52	Federal Home Loan Mortgage Corporation	316,359	359,163	407,514	422,882	430,089	439,029	457,577	465,330
53	One- to four-family	308,369	351,906	401,525	417,646	425,154	434,494	453,407	461,508
54	Multifamily	7,990	7,257	5,989	5,236	4,935	4,535	4,170	3,822
55	Federal National Mortgage Association	299,833	371,984	444,979	465,220	481,880	495,525	507,376	514,855
56	One- to four-family	291,194	362,667	435,979	456,645	473,599	486,804	498,489	505,730
57	Multifamily	8,639	9,317	9,000	8,575	8,281	8,721	8,887	9,125
58	Farmers Home Administration[4]	66	47	38	32	30	28	26	22
59	One- to four-family	17	11	8	6	6	5	5	4
60	Multifamily	0	0	0	0	0	0	0	0
61	Commercial	24	19	17	15	14	13	12	10
62	Farm	26	17	13	11	10	10	9	8
63	Private mortgage conduits	59,232	94,177	153,499	172,023	186,927	198,171	214,171	224,030
64	One- to four-family	53,335	84,000	132,000	145,000	158,000	164,000	177,000	179,500
65	Multifamily	731	3,698	6,305	7,407	7,991	8,701	9,481	12,241
66	Commercial	5,166	6,479	15,194	19,616	20,936	25,469	27,689	32,289
67	Farm	0	0	0	0	0	0	0	0
68	Individuals and others[6]	530,452	561,244	568,260	571,668[r]	573,994[r]	573,923[r]	561,511[r]	546,503
69	One- to four-family	349,491	368,874	378,739	382,849[r]	384,681[r]	383,948[r]	372,503[r]	357,381
70	Multifamily	85,969	83,796	85,871	86,164[r]	86,391[r]	86,516[r]	86,586[r]	87,027
71	Commercial	80,761	93,410	88,699	88,538[r]	89,219[r]	89,797[r]	88,803[r]	88,518
72	Farm	14,232	15,164	14,951	14,117	13,703	13,662	13,618	13,576

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCES. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 64, from Inside Mortgage Securities.

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1991	1992	1993	1994 Feb.	Mar.	Apr.	May	June[r]	July
				Seasonally adjusted					
1 **Total**	**728,398**	**729,932**	**795,573**	**805,787**	**817,173**	**827,288**	**838,748**	**849,904**	**855,472**
2 Automobile	260,574	257,890	281,504	284,388	287,912	292,738	296,566	301,534	305,671
3 Revolving	245,631	257,453	287,970	294,461	299,218	304,381	308,590	312,591	316,249
4 Other	222,193	214,590	226,099	226,938	230,043	230,168	233,593	235,778	233,552
				Not seasonally adjusted					
5 **Total**	**744,243**	**746,452**	**813,864**	**805,015**	**812,477**	**821,754**	**831,515**	**843,915**	**849,454**
By major holder									
6 Commercial banks	340,713	330,088	368,549	366,712	369,710	376,379	380,063	386,235	393,705
7 Finance companies	121,904	117,050	117,463	118,095	120,061	122,845	120,775	122,996	122,840
8 Credit unions	90,302	91,693	101,634	100,984	102,683	104,153	107,423	110,349	111,571
9 Savings institutions	41,373	37,049	38,078	38,578	38,828	39,078	39,255	39,400	39,749
10 Nonfinancial business	46,658	49,184	57,637	53,453	53,410	53,756	54,505	55,374	55,775
11 Pools of securitized assets[2]	103,293	121,388	130,503	127,193	127,785	125,543	129,494	129,561	125,814
By major type of credit[3]									
12 Automobile	261,046	258,572	282,291	283,429	287,476	291,352	295,066	300,745	304,762
13 Commercial banks	112,666	109,623	123,358	124,449	126,949	130,104	132,979	136,038	138,778
14 Finance companies	63,415	57,605	55,274	56,963	57,797	59,458	56,614	56,932	58,191
15 Pools of securitized assets[2]	28,588	33,888	39,490	36,599	36,613	34,531	35,836	35,817	34,436
16 Revolving	259,001	271,369	303,430	294,112	296,023	300,457	304,586	309,012	312,416
17 Commercial banks	138,005	132,966	149,527	144,274	145,701	149,265	149,972	153,032	156,856
18 Nonfinancial business	41,658	43,974	52,113	48,017	47,937	48,279	49,005	49,845	50,218
19 Pools of securitized assets[2]	63,333	74,931	79,887	79,597	79,768	79,927	82,064	82,075	80,904
20 Other	224,196	216,511	228,143	227,474	228,978	229,945	231,863	234,158	232,276
21 Commercial banks	90,042	87,499	95,664	97,989	97,060	97,010	97,112	97,165	98,071
22 Finance companies	58,489	59,445	62,189	61,132	62,264	63,387	64,161	66,064	64,649
23 Nonfinancial business	5,000	5,210	5,524	5,436	5,473	5,477	5,500	5,529	5,557
24 Pools of securitized assets[2]	11,372	12,569	11,126	10,997	11,404	11,085	11,594	11,669	10,474

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

Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

Item	1991	1992	1993	1994 Jan.	Feb.	Mar.	Apr.	May	June	July
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	11.14	9.29	8.09	n.a.	7.54	n.a.	n.a.	7.76	n.a.	n.a.
2 24-month personal	15.18	14.04	13.47	n.a.	12.89	n.a.	n.a.	12.96	n.a.	n.a.
3 120-month mobile home	13.70	12.67	11.87	n.a.	11.56	n.a.	n.a.	11.60	n.a.	n.a.
4 Credit card	18.23	17.78	16.83	n.a.	16.06	n.a.	n.a.	16.15	n.a.	n.a.
Auto finance companies										
5 New car	12.41	9.93	9.48	7.55	8.93	9.13	9.71	9.92	9.96	10.17
6 Used car	15.60	13.80	12.79	12.02	12.23	12.68	13.25	13.51	13.78	13.86
OTHER TERMS[3]										
Maturity (months)										
7 New car	55.1	54.0	54.5	52.9	54.4	54.0	53.8	53.5	53.3	53.9
8 Used car	47.2	47.9	48.8	50.0	50.3	50.1	50.0	50.6	50.0	50.2
Loan-to-value ratio										
9 New car	88	89	91	91	91	92	92	93	94	93
10 Used car	96	97	98	98	99	99	99	99	100	100
Amount financed (dollars)										
11 New car	12,494	13,584	14,332	15,330	14,904	14,821	15,067	15,194	15,180	15,319
12 Used car	8,884	9,119	9,875	10,434	10,449	10,427	10,477	10,606	10,656	10,735

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available for only the second month of each quarter.

3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1989[r]	1990[r]	1991[r]	1992[r]	1993[r]	1992	1993[r]				1994	
						Q4[r]	Q1	Q2	Q3	Q4	Q1[r]	Q2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**729.0**	**635.6**	**475.8**	**536.1**	**630.5**	**456.0**	**487.3**	**757.7**	**603.2**	**673.7**	**660.0**	**491.3**
By sector and instrument												
2 U.S. government	146.4	246.9	278.2	304.0	256.1	242.7	240.5	336.4	173.4	274.2	210.5	122.9
3 Treasury securities	144.7	238.7	292.0	303.8	248.3	240.0	237.4	332.3	157.2	266.5	211.8	118.2
4 Budget agency issues and mortgages	1.6	8.2	−13.8	.2	7.8	2.7	3.2	4.1	16.2	7.7	−1.3	4.7
5 Private	582.7	388.7	197.5	232.1	374.4	213.3	246.8	421.3	429.8	399.5	449.5	368.4
By instrument												
6 Tax-exempt obligations	69.8	48.7	68.7	31.1	77.3	−15.8	88.6	127.5	65.8	27.3	4.0	−32.2
7 Corporate bonds	73.8	47.1	78.8	67.5	75.3	54.0	85.7	75.7	72.6	67.4	48.0	52.0
8 Mortgages	281.2	199.5	161.4	123.9	157.1	86.6	97.6	157.1	220.5	153.2	160.9	129.1
9 Home mortgages	224.5	185.6	163.8	179.5	185.3	164.9	123.0	194.5	237.3	186.6	188.7	115.6
10 Multifamily residential	11.5	4.8	−3.1	−11.2	−6.3	−26.5	−6.1	−11.4	−4.9	−2.6	−5.5	9.7
11 Commercial	47.8	9.3	.4	−45.5	−22.4	−51.4	−19.5	−26.8	−12.4	−30.9	−22.9	−1.1
12 Farm	−2.5	−.3	.4	1.1	.4	−.5	.2	.8	.5	.1	.5	4.9
13 Consumer credit	45.8	16.0	−15.0	5.5	64.4	29.6	22.1	48.3	76.1	111.0	74.4	118.7
14 Bank loans n.e.c.	27.3	.4	−40.9	−13.8	5.5	19.1	−15.8	−.3	11.5	26.7	77.9	69.1
15 Commercial paper	21.4	9.7	−18.4	8.6	10.0	22.3	−14.1	33.2	17.2	3.8	8.0	16.4
16 Other loans	63.3	67.4	−37.1	9.2	−15.2	17.5	−17.2	−20.2	−33.8	10.2	76.3	15.3
By borrowing sector												
17 Household	281.6	218.9	170.9	217.7	293.8	249.6	176.3	275.3	375.3	348.4	315.7	269.7
18 Nonfinancial business	233.1	123.7	−35.9	−2.0	21.1	1.9	−9.9	38.9	10.4	44.9	145.1	152.5
19 Farm	.6	2.3	2.1	1.0	2.0	−2.4	−2.3	2.5	4.2	3.5	2.9	10.7
20 Nonfarm noncorporate	40.3	10.1	−28.5	−43.9	−26.1	−53.9	−27.4	−31.7	−28.7	−16.7	15.1	23.7
21 Corporate	192.1	111.3	−9.6	40.9	45.2	58.2	19.7	68.1	34.9	58.0	127.1	118.1
22 State and local government	68.0	46.0	62.6	16.4	59.5	−38.2	80.4	107.1	44.1	6.3	−11.3	−53.8
23 Foreign net borrowing in United States	10.2	23.9	13.9	21.3	46.9	3.6	38.9	42.8	83.1	22.9	−64.0	−4.6
24 Bonds	4.9	21.4	14.1	14.4	59.4	26.0	66.5	45.3	84.5	41.4	29.0	11.1
25 Bank loans n.e.c.	−.1	−2.9	3.1	2.3	.7	−10.3	1.5	6.6	1.0	−6.3	6.0	−1.2
26 Commercial paper	13.1	12.3	6.4	5.2	−9.0	−12.1	−21.7	−.6	−1.6	−12.0	−101.8	−5.2
27 U.S. government and other loans	−7.6	−7.0	−9.8	−.6	−4.2	.0	−7.5	−8.4	−.8	−.1	2.9	−9.3
28 **Total domestic plus foreign**	**739.2**	**659.4**	**489.6**	**557.4**	**677.4**	**459.6**	**526.2**	**800.5**	**686.3**	**696.7**	**596.0**	**486.7**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**225.1**	**202.9**	**152.6**	**237.1**	**276.0**	**198.8**	**175.6**	**168.4**	**417.7**	**342.4**	**479.4**	**329.8**
By instrument												
30 U.S. government-related	149.5	167.4	145.7	155.8	157.2	132.6	169.4	56.6	275.3	127.3	327.3	235.3
31 Government-sponsored enterprises securities	25.2	17.1	9.2	40.3	80.6	33.6	32.2	68.8	167.8	53.4	160.0	146.6
32 Mortgage pool securities	124.3	150.3	136.6	115.6	76.6	99.2	137.2	−12.2	107.5	73.9	186.5	88.6
33 Loans from U.S. government	.0	−.1	.0	.0	.0	−.1	.0	.0	.0	.0	−19.2	.0
34 Private	75.7	35.5	6.8	81.3	118.9	66.1	6.2	111.8	142.4	215.1	152.1	94.5
35 Corporate bonds	41.5	46.3	67.6	78.5	112.2	97.0	94.1	84.9	134.7	134.9	142.0	96.9
36 Mortgages	.3	.6	.5	.6	3.6	.9	1.4	1.4	6.2	5.5	.2	2.2
37 Bank loans n.e.c.	13.5	4.7	8.8	2.2	−14.0	−24.1	−34.6	13.2	−16.5	−18.0	−18.3	−32.6
38 Open market paper	31.3	8.6	−32.0	−.7	−6.2	−6.5	−75.1	−16.2	−9.4	76.0	39.0	−4.3
39 Loans from Federal Home Loan Banks	−11.0	−24.7	−38.0	.8	23.3	−1.1	20.4	28.4	27.4	16.8	−10.8	32.3
By borrowing sector												
40 Government-sponsored enterprises	25.2	17.0	9.1	40.2	80.6	33.5	32.2	68.8	167.8	53.4	140.8	146.6
41 Federally related mortgage pools	124.3	150.3	136.6	115.6	76.6	99.2	137.2	−12.2	107.5	73.9	186.5	88.6
42 Private	75.7	35.5	6.8	81.3	118.9	66.1	6.2	111.8	142.4	215.1	152.1	94.5
43 Commercial banks	−1.4	−.7	−11.7	8.8	5.6	14.5	3.5	11.3	6.5	1.2	4.4	−6.1
44 Bank holding companies	6.2	−27.7	−2.5	2.3	8.8	.8	21.1	1.3	.5	12.2	3.5	8.2
45 Funding corporations	12.5	15.4	−6.5	13.2	2.9	3.6	−31.4	−1.6	7.9	36.7	47.4	−21.1
46 Savings institutions	−15.1	−30.2	−44.5	−6.7	11.1	−5.4	9.7	12.6	13.5	8.8	−5.6	30.6
47 Credit unions	.0	.0	.0	.0	.2	.1	.0	.3	.3	.1	.1	−.1
48 Life insurance companies	.0	.0	.0	.0	.2	−.2	.1	.6	−.1	.4	.0	.2
49 Finance companies	27.4	24.0	18.6	−3.6	−5.0	1.0	−24.4	−20.7	9.0	16.3	62.0	66.4
50 Mortgage companies	10.1	.0	−2.4	8.0	−1.0	−6.4	−25.2	32.4	−.8	−10.4	−27.6	−29.2
51 Real estate investment trusts (REITs)	1.4	.8	1.2	.3	3.5	−5.6	.4	1.3	6.0	6.2	1.2	3.8
52 Issuers of asset-backed securities (ABSs)	28.3	52.3	51.0	56.3	80.5	67.7	61.9	60.5	85.2	114.2	76.6	41.4

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1989[r]	1990[r]	1991[r]	1992[r]	1993[r]	1992	1993[r]				1994	
						Q4[r]	Q1	Q2	Q3	Q4	Q1[r]	Q2
	All sectors											
53 **Total net borrowing, all sectors**	**964.4**	**862.3**	**642.2**	**794.5**	**953.4**	**658.4**	**701.8**	**968.8**	**1,104.0**	**1,039.1**	**1,075.5**	**816.5**
54 U.S. government securities	295.8	414.4	424.0	459.8	413.3	375.5	409.9	393.0	448.7	401.5	557.0	358.2
55 Tax-exempt securities	69.8	48.7	68.7	31.1	77.3	−15.8	88.6	127.5	65.8	27.3	4.0	−32.2
56 Corporate and foreign bonds	120.2	114.7	160.5	160.4	246.9	177.0	246.3	205.9	291.8	243.7	219.0	160.0
57 Mortgages	281.6	200.1	161.9	124.5	160.7	87.4	98.9	158.4	226.6	158.7	161.1	131.3
58 Consumer credit	45.8	16.0	−15.0	5.5	64.4	29.6	22.1	48.3	76.1	111.0	74.4	118.7
59 Bank loans n.e.c.	40.7	2.2	−29.1	−9.4	−7.8	−15.3	−48.9	19.5	−4.0	2.4	65.6	35.3
60 Open market paper	65.9	30.7	−44.0	13.1	−5.1	3.7	−110.9	16.4	6.3	67.7	−54.8	6.9
61 Other loans	44.7	35.6	−84.9	9.5	3.8	16.3	−4.3	−.2	−7.2	26.9	49.2	38.3
	Funds raised through mutual funds and corporate equities											
62 **Total net share issues**	**−60.8**	**19.7**	**215.4**	**296.0**	**436.5**	**294.8**	**344.3**	**473.5**	**494.4**	**434.0**	**219.0**	**219.5**
63 Mutual funds	37.2	65.3	151.5	211.9	316.8	205.4	268.9	358.0	348.9	291.5	114.0	152.7
64 Corporate equities	−98.0	−45.6	64.0	84.1	119.7	89.4	75.4	115.5	145.5	142.4	105.0	66.8
65 Nonfinancial corporations	−124.2	−63.0	18.3	27.0	20.9	14.0	8.6	24.8	28.7	21.5	−2.8	10.4
66 Financial corporations	9.0	10.0	15.1	26.4	38.2	27.7	35.2	38.6	38.2	40.9	38.3	17.5
67 Foreign shares purchased in United States	17.2	7.4	30.7	30.7	60.6	47.8	31.6	52.1	78.6	80.0	69.4	38.9

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see *inside front cover*.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

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

Transaction category or sector	1989	1990	1991	1992	1993	1992	1993				1994	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**964.4**	**862.3**	**642.2**	**794.5**	**953.4**	**658.4**	**701.8**	**968.8**	**1,104.0**	**1,039.1**	**1,075.5**	**816.5**
2 *Private domestic nonfinancial sectors*	137.0	190.1	−7.5	72.0	−2.3	104.3	−40.2	−3.3	−43.9	78.1	465.9	235.0
3 Households	94.7	157.2	−39.6	70.7	−30.9	112.0	−91.0	−70.5	−76.7	114.4	447.1	270.2
4 Nonfarm noncorporate business	−.8	−1.7	−3.7	−1.1	−3.2	−1.3	−3.0	−3.2	−3.3	−3.5	−3.6	−3.8
5 Nonfinancial corporate business	13.7	−3.7	6.7	29.2	17.5	31.8	−2.8	16.6	40.8	15.2	33.7	39.1
6 State and local governments	29.3	38.3	29.2	−26.8	14.4	−38.3	56.5	53.7	−4.7	−48.0	−11.2	−70.5
7 U.S. government	−3.1	33.7	10.5	−11.9	−18.4	−16.0	−23.2	−27.1	−15.4	−7.9	−40.8	−8.2
8 Foreign	86.6	85.5	26.6	100.5	125.8	98.3	65.6	93.2	123.7	220.5	123.9	54.2
9 Financial sectors	743.8	553.0	612.5	633.9	848.4	471.9	699.6	905.9	1,039.7	748.3	526.5	535.6
10 Government sponsored enterprises	−4.1	13.9	15.2	69.0	90.2	80.7	16.7	128.0	140.8	75.2	92.4	104.3
11 Federally related mortgage pools	124.3	150.3	136.6	115.6	76.6	99.2	137.2	−12.2	107.5	73.9	186.5	88.6
12 Monetary authority	−7.3	8.1	31.1	27.9	36.2	48.2	42.5	35.7	28.2	38.5	48.8	17.9
13 Commercial banking	177.2	125.1	80.8	95.3	142.2	63.8	100.5	133.4	146.7	188.1	187.3	117.8
14 U.S. commercial banks	146.1	94.9	35.7	69.5	149.6	53.4	103.4	137.4	160.3	197.3	120.8	136.4
15 Foreign banking offices	26.7	28.4	48.5	16.5	−9.8	6.5	−1.4	−14.3	−16.9	−6.5	61.4	−20.7
16 *Bank holding companies*	2.8	−2.8	−1.5	5.6	.0	.2	−4.5	7.9	1.2	−4.8	3.0	.2
17 Banks in U.S. affiliated areas	1.6	4.5	−1.9	3.7	2.4	3.6	3.0	2.4	2.2	2.1	2.1	1.9
18 Funding corporations	8.0	16.1	15.8	23.5	18.1	11.4	−3.8	1.1	32.4	42.6	19.5	23.5
19 Thrift institutions	−90.0	−154.0	−123.5	−61.3	−1.7	−22.6	−30.7	16.0	21.1	−13.3	16.1	37.2
20 Life insurance companies	101.8	94.4	83.2	79.1	105.1	100.8	124.6	97.8	111.8	86.3	50.5	77.6
21 Other insurance companies	29.7	26.5	32.6	12.8	33.3	11.9	27.3	36.0	37.6	32.1	27.9	32.8
22 Private pension funds	81.1	17.2	85.7	37.3	40.2	8.4	118.0	11.1	91.9	−60.1	−97.7	−42.0
23 State and local government retirement funds	46.1	34.9	46.0	34.4	28.1	16.7	−9.3	51.5	24.4	45.9	45.5	49.4
24 Finance companies	32.0	29.0	−12.7	1.7	−5.3	22.3	−26.9	−18.3	2.0	22.0	72.9	24.3
25 Mortgage companies	20.1	.0	11.2	.1	.0	−12.8	−50.4	65.1	−1.6	−13.3	−55.4	−66.2
26 Mutual funds	23.8	41.4	90.3	123.7	164.0	96.1	148.6	194.4	174.6	138.4	−72.6	11.3
27 Closed-end funds	6.6	.2	14.7	17.4	10.2	17.3	16.7	10.5	5.9	7.7	8.7	3.6
28 Money market funds	67.1	80.9	30.1	1.3	12.9	−29.4	−57.3	33.3	25.3	50.3	−37.4	33.7
29 Real estate investment trusts (REITs)	.5	−.7	−.7	1.1	.6	2.6	.2	.8	1.0	.2	.7	.7
30 Brokers and dealers	80.2	2.8	17.5	−6.9	9.2	−113.1	75.2	52.5	−7.8	−82.8	−55.7	−34.4
31 Asset-backed securities issuers (ABSs)	27.1	51.1	48.9	53.8	79.1	62.1	61.4	59.4	88.0	107.7	75.8	43.6
32 Bank personal trusts	19.7	15.9	10.0	8.0	9.5	8.3	9.1	10.0	9.9	8.9	12.9	11.7
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
33 **Net flows through credit markets**	**964.4**	**862.3**	**642.2**	**794.5**	**953.4**	**658.4**	**701.8**	**968.8**	**1,104.0**	**1,039.1**	**1,075.5**	**816.5**
Other financial sources												
34 Official foreign exchange	24.8	2.0	−5.9	−1.6	.8	5.1	3.4	−4.0	1.7	2.2	−.2	−11.2
35 Special drawing rights certificates	3.5	1.5	.0	−2.0	.0	−8.0	.0	.0	.0	.0	.0	.0
36 Treasury currency	.6	1.0	.0	.2	.4	.3	.3	.4	.4	.7	.7	.6
37 Life insurance reserves	28.8	25.7	25.7	27.3	35.2	26.3	43.6	35.3	36.6	25.5	20.0	20.1
38 *Pension fund reserves*	321.2	165.1	360.3	249.7	295.8	267.9	353.4	316.8	356.0	156.9	−27.7	61.0
39 Interbank claims	−16.2	35.4	−3.9	61.7	42.8	−14.4	70.2	126.5	−4.5	−20.9	155.5	197.0
40 Checkable deposits and currency	6.4	43.3	86.4	113.8	117.3	51.8	99.7	214.4	73.1	81.9	173.1	−60.4
41 Small time and savings deposits	98.7	63.7	1.5	−57.2	−70.3	−29.9	−108.5	−67.8	−68.1	−36.6	5.2	−66.5
42 Large time deposits	16.9	−66.1	−58.5	−73.2	−23.5	−91.1	−21.6	−26.8	−59.5	13.7	−39.6	−4.8
43 Money market fund shares	90.1	70.3	41.2	3.9	15.8	−33.4	−46.8	61.8	.6	47.7	−10.9	67.8
44 Security repurchase agreements	77.8	−24.2	−16.5	35.5	65.5	−68.7	170.7	37.9	67.8	−14.4	15.3	183.7
45 Foreign deposits	35.7	38.2	−16.7	−7.2	−22.1	−23.2	−11.9	−17.1	−50.7	−8.6	24.9	13.9
46 Mutual fund shares	37.2	65.3	151.5	211.9	316.8	205.4	268.9	358.0	348.9	291.5	114.0	152.7
47 Corporate equities	−98.0	−45.6	64.0	84.1	119.7	89.4	75.4	115.5	145.5	142.4	105.0	66.8
48 Security credit	15.6	3.5	51.4	4.2	61.9	−.4	44.8	40.0	76.6	86.5	30.0	−34.1
49 Trade debt	68.2	37.0	3.6	41.5	49.0	46.1	43.2	51.1	49.8	51.9	24.7	23.0
50 Taxes payable	2.4	−4.8	−6.2	8.5	4.6	9.7	7.9	7.3	−1.8	4.9	13.5	3.9
51 Noncorporate proprietors' equity	−25.8	−28.3	−3.3	18.4	−11.4	32.8	−9.0	−17.8	7.1	−25.9	−66.4	−75.1
52 *Investment in bank personal trusts*	19.6	29.7	16.1	−7.1	1.6	−6.0	−4.2	−7.2	.1	17.6	19.0	−8.9
53 Miscellaneous	313.8	135.7	197.2	257.6	309.2	194.5	194.3	431.1	226.1	385.2	287.1	117.1
54 **Total financial sources**	**1,985.7**	**1,410.6**	**1,530.2**	**1,764.5**	**2,262.7**	**1,312.8**	**1,875.5**	**2,624.2**	**2,309.9**	**2,241.3**	**1,918.6**	**1,463.1**
Floats not included in assets (−)												
55 U.S. government checkable deposits	8.4	3.3	−13.1	.7	−1.5	−11.8	4.7	2.9	2.1	−15.5	−2.4	.3
56 Other checkable deposits	−2.2	8.5	4.5	1.6	−1.3	2.2	−2.0	8.3	−5.2	−6.2	.6	−1.1
57 Trade credit	7.0	9.1	9.7	4.1	16.0	5.0	5.2	25.1	21.9	11.7	23.1	16.3
Liabilities not identified as assets (−)												
58 Treasury currency	−.2	.2	−.6	−.2	−.2	−.1	−.2	−.2	−.2	−.2	−.2	−.2
59 Interbank claims	−4.4	1.6	26.2	−4.9	4.2	−5.5	2.7	.5	−10.4	24.0	−27.9	4.9
60 Security repurchase agreements	32.4	−24.0	6.2	27.9	84.6	8.9	179.6	60.8	66.6	31.3	8.3	130.0
61 Taxes payable	2.7	.1	1.3	14.0	1.0	9.5	−6.9	18.2	1.2	−8.6	−1.0	19.9
62 Miscellaneous	−55.6	−35.4	−45.3	−46.0	−36.1	8.4	−83.4	−65.8	−23.9	28.6	−108.8	−155.8
63 **Total identified to sectors as assets**	**1,997.6**	**1,447.2**	**1,541.2**	**1,767.2**	**2,196.1**	**1,296.1**	**1,775.9**	**2,574.4**	**2,257.9**	**2,176.2**	**2,026.9**	**1,448.8**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1990[r]	1991[r]	1992[r]	1993[r]	1992	1993[r]				1994	
					Q4[r]	Q1	Q2	Q3	Q4	Q1[r]	Q2
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**10,712.6**	**11,181.5**	**11,720.7**	**12,351.9**	**11,720.7**	**11,804.0**	**12,001.1**	**12,145.0**	**12,351.9**	**12,476.5**	**12,607.7**
By lending sector and instrument											
2 U.S. government	2,498.1	2,776.4	3,080.3	3,336.5	3,080.3	3,140.2	3,201.2	3,247.3	3,336.5	3,387.7	3,395.4
3 Treasury securities	2,465.8	2,757.8	3,061.6	3,309.9	3,061.6	3,120.6	3,180.6	3,222.6	3,309.9	3,361.4	3,368.0
4 Budget agency issues and mortgages	32.4	18.6	18.8	26.6	18.8	19.6	20.6	24.7	26.6	26.3	27.4
5 Private	8,214.5	8,405.1	8,640.4	9,015.4	8,640.4	8,663.9	8,799.9	8,897.8	9,015.4	9,088.8	9,212.3
By instrument											
6 Tax-exempt obligations	1,039.9	1,108.6	1,139.7	1,217.0	1,139.7	1,160.7	1,201.5	1,209.2	1,217.0	1,216.8	1,218.4
7 Corporate bonds	1,008.2	1,086.9	1,154.4	1,229.8	1,154.4	1,175.9	1,194.8	1,212.9	1,229.8	1,241.8	1,254.8
8 Mortgages	3,758.5	3,920.0	4,043.9	4,201.0	4,043.9	4,053.9	4,103.6	4,159.9	4,201.0	4,227.3	4,270.0
9 Home mortgages	2,616.3	2,780.0	2,959.6	3,144.9	2,959.6	2,976.0	3,035.0	3,095.5	3,144.9	3,178.2	3,217.5
10 Multifamily residential	307.9	304.8	293.6	287.4	293.6	292.1	289.3	288.0	287.4	286.0	288.4
11 Commercial	755.4	755.8	710.3	687.8	710.3	705.4	698.7	695.6	687.8	682.1	681.8
12 Farm	78.9	79.3	80.4	80.8	80.4	80.5	80.7	80.8	80.8	81.0	82.2
13 Consumer credit	812.4	797.4	803.0	867.3	803.0	787.4	801.1	825.1	867.3	864.9	895.8
14 Bank loans n.e.c.	726.9	686.0	672.1	677.6	672.1	660.9	666.2	666.5	677.6	690.2	713.0
15 Commercial paper	116.9	98.5	107.1	117.8	107.1	113.9	124.0	123.2	117.8	129.9	135.7
16 Other loans	751.8	707.8	720.2	704.9	720.2	711.2	708.6	700.9	704.9	718.1	724.6
By borrowing sector											
17 Household	3,614.3	3,784.7	4,002.3	4,296.2	4,002.3	4,009.6	4,092.8	4,192.5	4,296.2	4,338.7	4,420.5
18 Nonfinancial business	3,751.7	3,709.3	3,710.5	3,732.3	3,710.5	3,707.8	3,724.9	3,720.8	3,732.3	3,767.1	3,812.5
19 Farm	135.4	135.0	136.0	138.0	136.0	133.1	136.3	138.4	138.0	136.3	141.7
20 Nonfarm noncorporate	1,147.0	1,116.4	1,074.1	1,048.0	1,074.1	1,066.6	1,059.2	1,051.3	1,048.0	1,051.0	1,057.5
21 Corporate	2,469.2	2,458.0	2,500.4	2,546.3	2,500.4	2,508.1	2,529.3	2,531.1	2,546.3	2,579.8	2,613.4
22 State and local government	848.6	911.1	927.5	987.0	927.5	946.5	982.2	984.5	987.0	983.0	979.2
23 **Foreign credit market debt held in United States**	**285.0**	**298.8**	**310.9**	**357.8**	**310.9**	**319.8**	**332.0**	**351.3**	**357.8**	**340.9**	**341.2**
24 Bonds	115.4	129.5	143.9	203.4	143.9	160.6	171.9	193.0	203.4	210.6	213.4
25 Bank loans n.e.c.	18.5	21.6	23.9	24.6	23.9	24.3	25.9	26.2	24.6	26.2	25.9
26 Commercial paper	75.3	81.8	77.7	68.7	77.7	72.3	72.1	71.7	68.7	43.3	42.0
27 U.S. government and other loans	75.7	65.9	65.3	61.1	65.3	62.7	62.0	60.3	61.1	60.8	59.9
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**10,997.6**	**11,480.3**	**12,031.6**	**12,709.7**	**12,031.6**	**12,123.9**	**12,333.1**	**12,496.3**	**12,709.7**	**12,817.4**	**12,948.9**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**2,599.5**	**2,752.1**	**3,004.7**	**3,286.1**	**3,004.7**	**3,044.8**	**3,092.6**	**3,195.4**	**3,286.1**	**3,401.8**	**3,490.7**
By instrument											
30 U.S. government-related	1,418.4	1,564.2	1,720.0	1,877.1	1,720.0	1,755.8	1,774.5	1,842.2	1,877.1	1,952.1	2,016.2
31 Government-sponsored enterprises securities	393.7	402.9	443.1	523.7	443.1	451.2	468.4	510.3	523.7	563.7	600.3
32 Mortgage pool securities	1,019.9	1,156.5	1,272.0	1,348.6	1,272.0	1,299.8	1,301.3	1,327.1	1,348.6	1,388.4	1,415.9
33 Loans from U.S. government	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	.0	.0
34 Private	1,181.1	1,187.9	1,284.8	1,409.0	1,284.8	1,289.0	1,318.2	1,353.2	1,409.0	1,449.7	1,474.5
35 Corporate bonds	572.4	640.0	724.8	836.9	724.8	748.8	770.8	804.3	836.9	870.5	895.5
36 Mortgages	4.3	4.8	5.4	8.9	5.4	5.7	6.0	7.6	8.9	9.0	9.5
37 Bank loans n.e.c.	69.6	78.4	80.5	66.5	80.5	70.3	73.4	69.2	66.5	60.3	52.0
38 Open market paper	417.7	385.7	394.3	393.5	394.3	379.3	375.9	373.2	393.5	409.4	408.9
39 Loans from Federal Home Loan Banks	117.1	79.1	79.9	103.1	79.9	85.0	92.1	98.9	103.1	100.4	108.5
By borrowing sector											
40 Government-sponsored enterprises	398.5	407.7	447.9	528.5	447.9	456.0	473.2	515.1	528.5	563.7	600.3
41 Federally related mortgage pools	1,019.9	1,156.5	1,272.0	1,348.6	1,272.0	1,299.8	1,301.3	1,327.1	1,348.6	1,388.4	1,415.9
42 Private financial sectors	1,181.1	1,187.9	1,284.8	1,409.0	1,284.8	1,289.0	1,318.2	1,353.2	1,409.0	1,449.7	1,474.5
43 Commercial banks	76.7	65.0	73.8	79.5	73.8	73.1	76.6	77.9	79.5	79.0	78.0
44 Bank holding companies	114.8	112.3	114.6	123.4	114.6	119.9	120.2	120.3	123.4	124.2	126.3
45 Funding corporations	145.7	139.1	161.6	169.9	161.6	162.2	166.5	166.3	169.9	190.4	190.1
46 Savings institutions	139.1	94.6	87.8	99.0	87.8	90.3	93.4	96.8	99.0	97.6	105.2
47 Credit unions	.0	.0	.0	.2	.0	.0	.1	.2	.2	.3	.2
48 Life insurance companies	.0	.0	.0	.2	.0	.0	.2	.1	.2	.3	.3
49 Finance companies	374.4	393.0	389.4	384.4	389.4	379.1	369.8	373.9	384.4	395.4	407.6
50 Mortgage companies	24.6	22.2	30.2	29.2	30.2	23.9	32.0	31.8	29.2	22.3	15.0
51 Real estate investment trusts (REITs)	12.4	13.6	13.9	17.4	13.9	14.0	14.4	15.8	17.4	17.7	18.7
52 Issuers of asset-backed securities (ABSs)	278.1	329.1	391.7	472.2	391.7	407.2	422.3	443.6	472.2	491.3	501.7
	All sectors										
53 **Total credit market debt, domestic and foreign**	**13,597.1**	**14,232.3**	**15,036.3**	**15,995.8**	**15,036.3**	**15,168.7**	**15,425.7**	**15,691.7**	**15,995.8**	**16,219.2**	**16,439.6**
54 U.S. government securities	3,911.7	4,335.7	4,795.5	5,208.8	4,795.5	4,891.2	4,970.9	5,084.7	5,208.8	5,339.8	5,411.7
55 Tax-exempt securities	1,039.9	1,108.6	1,139.7	1,217.0	1,139.7	1,160.7	1,201.5	1,209.2	1,217.0	1,216.8	1,218.4
56 Corporate and foreign bonds	1,696.0	1,856.5	2,023.1	2,270.1	2,023.1	2,085.2	2,137.4	2,210.2	2,270.1	2,322.9	2,363.7
57 Mortgages	3,762.9	3,924.8	4,049.3	4,209.9	4,049.3	4,059.7	4,109.6	4,167.5	4,209.9	4,236.3	4,279.5
58 Consumer credit	812.4	797.4	803.0	867.3	803.0	787.4	801.1	825.1	867.3	864.9	895.8
59 Bank loans n.e.c.	815.0	785.9	776.6	768.8	776.6	755.4	765.6	761.9	768.8	776.8	790.9
60 Open market paper	609.9	565.9	579.0	580.0	579.0	565.5	572.0	568.2	580.0	582.6	586.5
61 Other loans	949.4	857.5	870.2	873.9	870.2	863.7	867.5	864.9	873.9	879.4	893.1

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1990	1991	1992	1993	1992	1993				1994	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**13,597.1**	**14,232.3**	**15,036.3**	**15,995.8**	**15,036.3**	**15,168.7**	**15,425.7**	**15,691.7**	**15,995.8**	**16,219.2**	**16,439.6**
2 *Private domestic nonfinancial sectors*	2,260.8	2,240.2	2,318.0	2,325.8	2,318.0	2,291.7	2,286.9	2,274.4	2,325.8	2,416.3	2,471.0
3 Households	1,499.3	1,446.5	1,523.1	1,502.3	1,523.1	1,493.5	1,466.5	1,451.1	1,502.3	1,598.0	1,655.8
4 Nonfarm noncorporate business	47.8	44.1	42.9	39.7	42.9	42.2	41.4	40.6	39.7	38.8	37.9
5 Nonfinancial corporate business	189.6	196.2	225.4	242.9	225.4	216.0	223.1	230.3	242.9	241.9	254.7
6 State and local governments	524.1	553.3	526.5	540.9	526.5	540.0	555.9	552.4	540.9	537.5	522.6
7 U.S. government	239.0	246.9	235.0	216.6	235.0	229.4	223.1	218.8	216.6	206.3	204.7
8 Foreign	918.3	958.1	1,052.7	1,174.4	1,052.7	1,061.2	1,083.4	1,117.5	1,174.4	1,205.2	1,218.1
9 Financial sectors	10,179.0	10,787.2	11,430.6	12,279.0	11,430.6	11,586.3	11,832.3	12,080.9	12,279.0	12,391.4	12,545.8
10 Government-sponsored enterprises	375.6	390.7	459.7	549.8	459.7	463.0	495.5	530.8	549.8	572.0	598.8
11 Federally related mortgage pools	1,019.9	1,156.5	1,272.0	1,348.6	1,272.0	1,299.8	1,301.3	1,327.1	1,348.6	1,388.4	1,415.9
12 Monetary authority	241.4	272.5	300.4	336.7	300.4	303.6	318.2	324.2	336.7	341.5	351.6
13 Commercial banking	2,772.5	2,853.3	2,948.6	3,090.8	2,948.6	2,956.6	2,998.8	3,036.4	3,090.8	3,120.8	3,159.1
14 U.S. commercial banks	2,466.7	2,502.5	2,571.9	2,721.5	2,571.9	2,589.4	2,628.5	2,670.2	2,721.5	2,743.9	2,782.3
15 Foreign banking offices	270.8	319.2	335.8	326.0	335.8	326.7	327.1	322.3	326.0	332.4	331.6
16 Bank holding companies	13.4	11.9	17.5	17.5	17.5	16.4	18.4	18.7	17.5	18.2	18.3
17 Banks in U.S. affiliated areas	21.6	19.7	23.4	25.8	23.4	24.2	24.8	25.3	25.8	26.4	26.8
18 Funding corporations	35.7	51.5	75.0	93.1	75.0	74.0	74.3	82.4	93.1	97.9	103.8
19 Thrift institutions	1,320.5	1,192.6	1,134.5	1,132.7	1,134.5	1,124.8	1,130.0	1,136.5	1,132.7	1,134.8	1,145.4
20 Life insurance companies	1,116.5	1,199.6	1,278.8	1,383.9	1,278.8	1,316.2	1,343.9	1,372.1	1,383.9	1,403.4	1,426.1
21 Other insurance companies	344.0	376.6	389.4	422.7	389.4	396.3	405.3	414.6	422.7	429.6	437.8
22 Private pension funds	607.4	693.0	730.4	770.6	730.4	759.8	762.6	785.6	770.6	746.2	735.6
23 State and local government retirement funds	433.9	479.9	514.3	542.4	514.3	511.9	524.8	530.9	542.4	553.7	566.1
24 Finance companies	497.6	484.9	486.6	481.3	486.6	473.7	473.5	472.0	481.3	492.8	503.1
25 Mortgage companies	49.2	60.3	60.5	60.4	60.5	47.9	64.1	63.8	60.4	46.6	30.0
26 Mutual funds	360.2	450.5	574.2	738.2	574.2	611.4	659.9	703.6	738.2	720.0	722.9
27 Closed-end funds	35.6	50.3	67.7	77.9	67.7	71.9	74.5	76.0	77.9	80.1	81.0
28 Money market funds	372.7	402.7	404.1	417.0	404.1	404.5	403.9	400.6	417.0	422.2	422.0
29 Real estate investment trusts (REITs)	7.7	7.0	8.1	8.6	8.1	8.1	8.3	8.6	8.6	8.8	9.0
30 Brokers and dealers	106.5	124.0	117.1	126.3	117.1	135.9	149.0	147.1	126.3	112.4	103.8
31 Asset-backed securities issuers (ABSs)	268.9	317.8	377.9	457.0	377.9	393.2	408.1	430.1	457.0	476.0	486.9
32 Bank personal trusts	213.4	223.5	231.5	240.9	231.5	233.7	236.2	238.7	240.9	244.2	247.1
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
33 **Total credit market debt**	**13,597.1**	**14,232.3**	**15,036.3**	**15,995.8**	**15,036.3**	**15,168.7**	**15,425.7**	**15,691.7**	**15,995.8**	**16,219.2**	**16,439.6**
Other liabilities											
34 Official foreign exchange	61.3	55.4	51.8	53.4	51.8	54.5	53.9	55.6	53.4	56.4	54.9
35 Special drawing rights certificates	10.0	10.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
36 Treasury currency	16.3	16.3	16.5	17.0	16.5	16.6	16.7	16.8	17.0	17.1	17.3
37 Life insurance reserves	380.0	405.7	433.0	468.2	433.0	443.9	452.7	461.9	468.2	473.2	478.2
38 Pension fund reserves	3,484.2	4,138.3	4,516.5	4,981.5	4,516.5	4,658.1	4,739.5	4,898.0	4,981.5	4,908.4	4,926.4
39 Interbank claims	95.3	96.4	132.8	175.9	132.8	137.3	145.0	166.9	175.9	203.5	226.2
40 Deposits at financial institutions	5,005.3	5,044.8	5,059.1	5,141.8	5,059.1	5,055.3	5,097.1	5,088.5	5,141.8	5,157.1	5,180.7
41 Checkable deposits and currency	934.2	1,020.6	1,134.4	1,251.7	1,134.4	1,089.1	1,168.0	1,181.9	1,251.7	1,220.5	1,231.2
42 Small time and savings deposits	2,349.2	2,350.7	2,293.5	2,223.2	2,293.5	2,275.7	2,255.0	2,236.6	2,223.2	2,234.4	2,213.7
43 Large time deposits	546.9	488.4	415.2	391.7	415.2	410.6	401.1	389.4	391.7	382.6	378.9
44 Money market fund shares	498.4	539.6	543.6	559.4	543.6	556.6	549.8	547.9	559.4	582.4	576.4
45 Security repurchase agreements	372.3	355.8	392.3	457.8	392.3	446.2	450.4	472.5	457.8	473.0	512.8
46 Foreign deposits	304.3	289.6	280.1	258.0	280.1	277.1	272.8	260.2	258.0	264.3	267.7
47 Mutual fund shares	602.1	813.9	1,042.1	1,429.3	1,042.1	1,134.6	1,225.8	1,342.4	1,429.3	1,439.0	1,443.1
48 Security credit	137.4	188.9	217.3	279.3	217.3	225.0	234.7	254.5	279.3	282.8	273.9
49 Trade debt	942.2	935.9	977.4	1,026.4	977.4	976.9	989.6	1,009.7	1,026.4	1,020.9	1,026.9
50 Taxes payable	77.4	71.2	79.6	84.2	79.6	82.9	81.2	82.8	84.2	88.8	86.1
51 Investment in bank personal trusts	522.1	608.3	629.6	660.9	629.6	639.0	637.6	651.2	660.9	665.7	674.1
52 Miscellaneous	2,820.4	2,992.2	3,160.2	3,424.8	3,160.2	3,176.6	3,258.3	3,325.8	3,424.8	3,516.2	3,525.8
53 **Total liabilities**	**27,751.1**	**29,609.6**	**31,360.1**	**33,746.4**	**31,360.1**	**31,777.4**	**32,365.7**	**33,053.7**	**33,746.4**	**34,056.3**	**34,361.3**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	22.0	22.3	19.6	20.1	19.6	19.8	20.0	20.3	20.1	20.4	20.8
55 Corporate equities	3,530.2	4,863.6	5,462.9	6,186.5	5,462.9	5,647.3	5,683.7	5,941.7	6,186.5	6,052.2	5,877.7
56 Household equity in noncorporate business	2,529.1	2,444.4	2,411.5	2,427.9	2,411.5	2,420.2	2,434.1	2,445.5	2,427.9	2,459.2	2,477.2
Floats not included in assets (−)											
57 U.S. government checkable deposits	15.0	3.8	6.8	5.6	6.8	3.4	3.5	2.2	5.6	.3	.9
58 Other checkable deposits	35.9	40.4	42.0	40.7	42.0	36.7	41.6	33.7	40.7	36.3	38.7
59 Trade credit	−130.3	−129.3	−124.6	−106.9	−124.6	−135.0	−139.2	−134.8	−106.9	−113.1	−120.1
Liabilities not identified as assets (−)											
60 Treasury currency	−4.1	−4.8	−4.9	−5.1	−4.9	−5.0	−5.0	−5.1	−5.1	−5.2	−5.2
61 Interbank claims	−32.0	−4.2	−9.3	−4.7	−9.3	−5.8	−5.7	−7.8	−4.7	−7.4	−7.2
62 Security repurchase agreements	3.0	9.2	38.1	122.7	38.1	94.9	108.0	132.6	122.7	136.7	166.7
63 Taxes payable	17.8	17.8	25.2	33.3	25.2	14.1	23.3	22.5	33.3	26.6	22.1
64 Miscellaneous	−261.2	−330.7	−398.4	−479.8	−398.4	−437.1	−433.7	−478.9	−479.8	−505.1	−482.9
65 **Total identified to sectors as assets**	**34,188.3**	**37,337.6**	**39,679.1**	**42,775.1**	**39,679.1**	**40,298.4**	**40,910.8**	**41,896.7**	**42,775.1**	**43,019.1**	**43,123.8**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987=100, except as noted

Measure	1991	1992	1993	1993 Dec.	1994 Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July[r]	Aug.
1 **Industrial production**[1]	**104.1**	**106.5**	**110.9**	**114.0**	**114.6**	**115.0**	**115.9**	**116.0**	**116.6**	**117.3**	**117.7**	**118.5**
Market groupings												
2 Products, total	103.2	105.7	110.2	113.0	113.6	114.2	114.7	114.7	115.3	116.1	116.6	117.5
3 Final, total	105.3	108.0	112.7	115.4	116.2	117.2	117.5	117.3	117.8	118.8	119.5	120.7
4 Consumer goods	102.8	105.7	108.7	110.1	110.9	111.6	111.9	111.2	111.7	112.9	113.3	114.1
5 Equipment	108.9	111.2	118.5	123.1	123.9	125.3	125.7	126.2	126.6	127.2	128.4	130.1
6 Intermediate	96.8	99.0	102.6	105.4	105.7	105.1	105.9	106.7	107.5	107.9	107.9	107.9
7 Materials	105.4	107.7	111.9	115.5	116.0	116.2	117.7	117.9	118.6	119.1	119.2	119.9
Industry groupings												
8 Manufacturing	103.7	106.8	111.7	115.4	115.6	116.1	117.2	117.7	118.5	118.8	119.4	120.6
9 Capacity utilization, manufacturing (percent)[2]	77.8	78.6	80.6	82.3	82.2	82.4	83.0	83.1	83.4	83.4	83.7	84.3
10 Construction contracts[3]	89.7	97.7	101.6	102.0	103.0	107.0	110.0	103.0	108.0	105.0	109.0	n.a.
11 Nonagricultural employment, total[4]	106.2	106.4	108.1	109.5	109.6	109.8	110.1	110.5	110.8	111.2	111.4	111.6
12 Goods-producing, total	96.6	94.9	93.1	94.4	94.5	94.5	94.8	95.3	95.3	95.6	95.6	95.7
13 Manufacturing, total	97.1	95.8	93.7	94.4	94.6	94.6	94.6	94.8	94.8	95.0	95.0	95.2
14 Manufacturing, production workers	96.0	94.5	93.7	94.9	95.1	95.3	95.4	95.7	95.7	96.0	95.9	96.2
15 Service-producing	109.4	110.5	112.8	114.3	114.4	114.6	115.0	115.4	115.7	116.1	116.4	116.6
16 Personal income, total	127.8	135.6	141.4	145.1	144.2	146.7	147.5	148.2	148.8	148.9	149.7	n.a.
17 Wages and salary disbursements	124.5	131.6	136.2	139.8	141.4	141.8	142.4	143.3[r]	144.3	144.5	145.2	n.a.
18 Manufacturing	113.7	118.0	120.0	123.5	123.6	124.6	124.8	124.8	124.9	125.2	125.3	n.a.
19 Disposable personal income[5]	128.8	137.0	142.5	146.1	144.8	147.5	148.4	148.1	149.5	149.7	150.5	n.a.
20 Retail sales[6]	121.1	126.9	135.2	141.1	139.3	141.9	144.5	143.1	143.0	144.3	144.4	145.5
Prices[7]												
21 Consumer (1982–84=100)	136.2	140.3	144.5	145.8	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0
22 Producer finished goods (1982=100)	121.7	123.2	124.7	124.1	124.5	124.8	124.9	125.0	125.3	125.5	126.0	126.6

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in February 1994. See "Industrial Production and Capacity Utilization since 1990: A Revision," *Federal Reserve Bulletin*, vol. 80 (March 1994), pp. 220–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.
2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.
4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.
5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.
6. Based on data from U.S. Department of Commerce, *Survey of Current Business*.
7. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

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

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted except as noted

Category	1991	1992	1993	1994 Jan.	Feb.	Mar.	Apr.	May	June[r]	July[r]	Aug.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	125,303	126,982	128,040	130,667	130,776	130,580	130,747	130,774	130,248	130,457	131,189
Employment											
2 Nonagricultural industries[3]	114,644	114,391	116,232	118,639	118,867	118,611	118,880	119,437	119,195	119,173	119,722
3 Agriculture	3,233	3,207	3,074	3,331	3,391	3,426	3,459	3,435	3,235	3,278	3,444
Unemployment											
4 Number	8,426	9,384	8,734	8,696	8,518	8,543	8,408	7,902	7,817	8,005	8,023
5 Rate (percent of civilian labor force)	6.7	7.4	6.8	6.7	6.5	6.5	6.4	6.0	6.0	6.1	6.1
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**108,256**	**108,519**	**110,171**	**111,711**	**111,919**	**112,298**	**112,699**	**112,951**	**113,334**	**113,585**	**113,764**
7 Manufacturing	18,455	18,192	17,804	17,968	17,970	17,980	18,007	18,009	18,044	18,045	18,077
8 Mining	689	631	599	616	612	609	606	603	605	601	600
9 Contract construction	4,650	4,471	4,571	4,744	4,745	4,806	4,893	4,907	4,927	4,949	4,943
10 Transportation and public utilities	5,762	5,709	5,710	5,793	5,803	5,816	5,759	5,843	5,849	5,854	5,858
11 Trade	25,365	25,391	25,849	25,914	25,968	26,039	26,165	26,190	26,328	26,432	26,450
12 Finance	6,646	6,571	6,605	6,771	6,776	6,781	6,791	6,787	6,798	6,798	6,803
13 Service	28,336	29,053	30,193	31,004	31,129	31,326	31,497	31,598	31,765	31,897	32,020
14 Government	18,402	18,653	18,841	18,901	18,916	18,941	18,981	19,014	19,018	19,009	19,013

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.
2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.
3. Includes self-employed, unpaid family, and domestic service workers.
4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	Output (1987=100) 1993 Q3	1993 Q4	1994 Q1	1994 Q2[r]	Capacity (percent of 1987 output) 1993 Q3	1993 Q4	1994 Q1	1994 Q2	Capacity utilization rate (percent)[2] 1993 Q3	1993 Q4	1994 Q1	1994 Q2[r]
1 **Total industry**	**111.1**	**112.9**	**115.2**	**116.6**	**136.5**	**137.2**	**138.0**	**139.0**	**81.4**	**82.3**	**83.4**	**83.9**
2 Manufacturing	111.8	114.1	116.3	118.3	139.2	140.0	140.9	142.0	80.3	81.5	82.5	83.3
3 Primary processing[3]	107.7	109.9	110.7	113.2	128.3	128.6	129.0	129.5	83.9	85.5	85.8	87.4
4 Advanced processing[4]	113.8	116.1	118.9	120.8	144.4	145.4	146.6	148.0	78.8	79.9	81.2	81.6
5 Durable goods	114.2	118.1	121.0	122.9	145.4	146.3	147.6	149.1	78.5	80.7	82.0	82.4
6 Lumber and products	100.8	104.9	103.6	105.1	115.0	115.2	115.4	115.7	87.6	91.1	89.8	90.9
7 Primary metals	106.7	109.6	109.7	114.1	123.0	122.6	122.4	122.4	86.8	89.4	89.6	93.2
8 Iron and steel	112.3	115.6	114.8	121.3	126.9	126.3	126.0	126.0	88.6	91.5	91.1	96.3
9 Nonferrous	98.9	101.4	102.7	104.1	117.6	117.6	117.5	117.5	84.1	86.2	87.4	88.6
10 Industrial machinery and equipment	147.2	152.7	158.8	164.5	175.7	178.2	181.7	186.2	83.8	85.7	87.4	88.3
11 Electrical machinery	129.7	132.6	136.4	142.0	155.7	157.7	160.3	163.3	83.2	84.1	85.1	87.0
12 Motor vehicles and parts	112.0	131.7	142.7	134.3	154.8	156.1	157.8	159.7	72.3	84.4	90.5	84.1
13 Aerospace and miscellaneous transportation equipment	87.4	85.2	82.5	82.0	133.2	132.8	132.2	131.4	65.6	64.2	62.4	62.4
14 Nondurable goods	108.9	109.2	110.5	112.7	131.6	132.1	132.7	133.4	82.8	82.6	83.2	84.5
15 Textile mill products	108.0	107.7	108.9	111.7	119.4	119.9	120.5	121.2	90.5	89.8	90.3	92.2
16 Paper and products	111.7	114.2	114.4	115.4	124.8	125.3	125.8	126.3	89.6	91.2	90.9	91.4
17 Chemicals and products	118.6	118.6	120.3	122.7	145.9	146.8	147.7	148.7	81.2	80.8	81.5	82.5
18 Plastics materials	111.5	114.4	117.6	121.3	131.1	132.0	133.0	133.9	85.1	86.6	88.4	90.6
19 Petroleum products	104.0	107.7	104.5	108.0	115.7	115.6	115.4	115.3	89.9	93.2	90.5	93.7
20 Mining	96.8	97.3	98.4	99.6	111.1	110.8	110.6	110.6	87.1	87.8	89.0	90.1
21 Utilities	117.5	115.6	119.9	116.2	134.0	134.3	134.7	135.2	87.8	86.1	89.0	86.0
22 Electric	118.0	114.8	118.2	117.6	131.2	131.7	132.2	132.8	89.9	87.2	89.4	88.6

Capacity utilization rate (percent)[2]

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1993 Aug.	1994 Mar.	1994 Apr.	1994 May[r]	1994 June[r]	1994 July[r]	1994 Aug.[p]
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.8**	**78.1**	**81.4**	**83.8**	**83.7**	**83.9**	**84.2**	**84.3**	**84.7**
2 Manufacturing	88.9	70.8	87.3	70.0	85.1	76.7	80.3	83.0	83.1	83.4	83.4	83.7	84.3
3 Primary processing[3]	92.2	68.9	89.7	66.8	89.1	78.0	84.1	86.3	86.9	87.9	87.5	87.4	87.7
4 Advanced processing[4]	87.5	72.0	86.3	71.4	83.3	76.0	78.7	81.6	81.5	81.5	81.7	82.1	82.8
5 Durable goods	88.8	68.5	86.9	65.0	83.9	73.8	78.3	82.2	82.4	82.4	82.4	82.8	83.8
6 Lumber and products	90.1	62.2	87.6	60.9	93.3	76.2	87.7	89.0	89.8	91.5	91.4	89.8	90.3
7 Primary metals	100.6	66.2	102.4	46.8	92.9	74.4	87.1	90.7	93.5	94.3	91.8	92.7	93.2
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.2	88.9	93.0	97.0	97.7	94.1	94.8	95.3
9 Nonferrous	92.9	61.3	90.5	62.2	88.9	75.8	84.5	87.3	88.4	89.1	88.4	89.7	90.0
10 Nonelectrical machinery	96.4	74.5	92.1	64.9	83.7	71.4	83.7	88.1	88.1	88.6	88.3	89.3	89.8
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	77.3	83.1	85.8	86.4	86.9	87.6	89.5	89.5
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	84.5	57.3	71.5	88.3	86.5	82.9	82.9	80.5	87.2
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	88.3	78.5	65.4	62.2	62.2	62.5	62.6	61.9	61.9
14 Nondurable goods	87.9	71.8	87.0	76.9	86.8	80.4	83.0	84.0	84.0	84.8	84.8	84.8	84.9
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.5	91.1	91.2	92.2	92.5	91.9	92.4	92.0
16 Paper and products	96.9	69.0	94.2	82.0	94.9	86.3	89.9	91.1	89.4	91.9	92.8	91.5	92.4
17 Chemicals and products	87.9	69.9	85.1	70.1	85.9	79.4	81.4	82.2	81.7	83.0	83.0	82.8	82.7
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	75.3	85.7	89.8	88.7	91.7	91.4	...	...
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	84.5	89.5	90.2	94.4	94.5	92.1	91.7	93.5
20 Mining	94.4	88.4	96.6	80.6	87.0	86.8	87.0	89.9	90.3	89.6	90.2	89.0	88.3
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.1	88.4	87.5	84.8	84.9	88.3	87.1	85.9
22 Electric	99.0	82.7	88.3	78.7	94.8	86.3	91.0	88.7	87.3	87.0	91.4	90.0	88.1

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in February 1994. See "Industrial Production and Capacity Utilization since 1990: A Revision," *Federal Reserve Bulletin*, vol. 80 (March 1994), pp. 220–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; petroleum refining; rubber and plastics; stone, clay, and glass; and primary and fabricated metals.

4. Advanced processing includes food, tobacco, apparel, furniture, printing, chemical products such as drugs and toiletries, leather and products, machinery, transportation equipment, instruments, miscellaneous manufacturing, and ordnance.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1987 proportion	1993 avg.	1993 Aug.	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.	1994 Feb.	1994 Mar.	1994 Apr.	1994 May[r]	1994 June[r]	1994 July[r]	1994 Aug.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**110.9**	**111.1**	**111.3**	**111.9**	**112.8**	**114.0**	**114.6**	**115.0**	**115.9**	**116.0**	**116.6**	**117.3**	**117.7**	**118.5**
2 Products	59.5	110.2	110.4	110.6	111.2	112.1	113.0	113.6	114.2	114.7	114.7	115.3	116.1	116.6	117.5
3 Final products	44.8	112.7	112.7	113.1	113.8	114.6	115.4	116.2	117.2	117.5	117.3	117.8	118.8	119.5	120.7
4 Consumer goods, total	26.5	108.7	108.6	108.5	109.2	109.7	110.1	110.9	111.6	111.9	111.2	111.7	112.9	113.3	114.1
5 Durable consumer goods	5.8	110.5	107.3	108.7	112.7	115.8	118.2	119.0	120.9	118.3	117.4	115.5	116.4	117.7	121.1
6 Automotive products	2.7	111.6	103.9	106.7	113.8	120.2	124.9	127.7	131.7	125.3	123.3	119.2	120.2	116.9	125.0
7 Autos and trucks	1.7	112.2	99.2	104.1	114.9	124.9	131.5	134.6	141.0	131.1	128.6	121.4	121.9	116.3	130.8
8 Autos, consumer	1.1	86.1	71.8	75.4	85.2	95.4	98.8	102.0	106.7	101.0	98.3	92.4	91.5	88.4	93.7
9 Trucks, consumer	.6	157.3	146.7	153.9	166.4	176.0	188.0	191.0	200.4	183.3	181.2	171.6	174.4	164.7	195.0
10 Auto parts and allied goods	1.0	110.6	111.8	111.1	111.9	112.3	113.9	116.3	116.2	115.4	114.3	115.6	117.5	117.9	115.3
11 Other	3.1	109.5	110.2	110.4	111.8	112.0	112.2	111.3	111.5	112.1	112.2	112.3	113.1	118.4	117.6
12 Appliances televisions and air conditioners	.8	122.9	124.9	126.4	130.4	130.7	130.5	123.7	123.4	125.6	122.8	125.5	127.9	141.3	139.4
13 Carpeting and furniture	.9	102.2	103.2	102.4	104.1	102.5	102.8	104.0	105.5	104.5	106.9	105.6	104.8	109.1	109.3
14 Miscellaneous home goods	1.4	106.7	106.4	106.4	106.3	107.5	108.0	109.1	108.6	109.4	109.5	109.2	110.2	111.3	110.6
15 Nondurable consumer goods	20.7	108.2	109.0	108.4	108.2	107.9	107.9	108.6	109.0	110.1	109.4	110.6	111.9	112.1	112.2
16 Foods and tobacco	9.1	106.1	107.0	105.9	105.9	105.2	105.8	106.1	106.9	109.0	109.3	110.0	110.5	111.6	111.4
17 Clothing	2.6	94.9	94.3	93.3	93.3	94.3	95.1	93.8	94.4	95.8	96.5	97.6	97.1	97.6	97.8
18 Chemical products	3.6	122.5	123.7	124.1	122.6	122.3	122.0	121.6	123.3	125.4	123.7	125.8	128.0	127.4	127.9
19 Paper products	2.6	103.2	103.1	103.2	104.0	103.3	102.6	102.6	102.3	102.5	103.6	104.5	104.9	103.6	104.6
20 Energy	2.7	113.7	115.8	115.3	114.6	115.2	113.1	119.7	117.1	114.4	108.4	110.8	116.1	114.9	114.8
21 Fuels	.8	106.6	103.8	108.0	111.3	110.6	108.6	105.1	104.3	105.3	107.7	108.2	106.4	105.0	107.5
22 Residential utilities	2.0	116.5	120.4	118.2	115.9	117.0	114.9	125.4	122.1	117.9	108.7	111.8	119.9	118.6	117.6
23 Equipment	18.3	118.5	118.6	119.8	120.4	121.8	123.1	123.9	125.3	125.7	126.2	126.6	127.2	128.4	130.1
24 Business equipment	13.2	134.6	134.8	136.3	137.7	139.7	141.8	142.9	145.0	145.5	146.3	147.3	148.2	150.1	152.6
25 Information processing and related	5.5	155.8	158.2	160.6	162.0	164.5	167.2	170.1	173.5	175.2	175.6	177.1	178.8	182.0	184.9
26 Computer and office equipment	1.9	223.1	230.6	234.8	241.8	248.6	256.1	261.5	269.5	272.1	273.4	274.2	278.6	284.4	290.4
27 Industrial	3.9	112.2	113.3	113.2	112.5	113.0	114.8	114.0	114.6	116.8	118.1	119.8	119.6	122.3	123.1
28 Transit	2.0	136.7	126.2	129.8	136.1	141.5	142.8	145.2	147.5	141.2	139.8	136.1	137.5	135.5	142.5
29 Autos and trucks	1.0	134.5	119.6	126.5	139.6	150.5	154.9	161.0	166.7	156.1	153.7	146.0	147.3	143.4	157.7
30 Other	1.8	115.6	119.1	119.1	119.4	119.3	120.8	119.4	120.7	121.4	124.5	127.3	128.0	128.6	128.1
31 Defense and space equipment	4.4	74.8	74.0	73.7	72.7	72.5	71.5	71.0	69.9	69.9	69.8	68.9	68.5	67.9	68.2
32 Oil and gas well drilling	.6	82.5	87.0	89.7	86.5	82.9	82.3	82.4	87.4	88.6	89.6	89.1	88.9	87.4	83.4
33 Manufactured homes	.2	118.9	115.5	120.7	123.4	130.4	141.1	145.3	139.7	143.6	136.2	135.9	138.1	135.7	133.8
34 Intermediate products, total	14.7	102.6	103.3	103.0	103.5	104.3	105.4	105.7	105.1	105.9	106.7	107.5	107.9	107.9	107.9
35 Construction supplies	5.9	96.8	97.3	97.8	98.6	99.5	101.3	100.5	98.9	99.7	101.8	102.9	102.8	102.9	102.9
36 Business supplies	8.8	106.5	107.2	106.4	106.7	107.5	108.1	109.2	109.3	110.0	109.9	110.6	111.3	111.3	111.2
37 Materials	40.5	111.9	112.1	112.2	112.8	113.9	115.5	116.0	116.2	117.7	117.9	118.6	119.1	119.2	119.9
38 Durable goods materials	20.5	115.5	115.6	116.5	117.5	119.1	121.5	122.2	121.9	124.1	125.2	125.9	126.1	127.2	129.0
39 Durable consumer parts	4.1	113.9	111.4	112.6	116.0	120.4	125.7	126.7	126.0	127.3	125.9	125.8	125.0	125.6	129.4
40 Equipment parts	7.4	123.4	124.7	126.0	127.0	127.5	128.6	130.7	131.6	133.9	135.9	136.9	138.8	140.2	142.2
41 Other	9.0	109.7	109.9	110.4	110.3	111.6	113.6	113.2	112.0	114.6	116.1	116.9	116.2	117.1	117.9
42 Basic metal materials	3.1	112.5	111.2	111.7	112.9	114.7	117.6	116.2	113.1	115.3	119.4	119.0	117.6	118.8	119.4
43 Nondurable goods materials	9.0	113.8	114.6	113.6	114.1	115.3	116.6	115.4	116.2	117.7	117.0	119.1	118.9	118.9	119.1
44 Textile materials	1.2	104.2	106.1	103.1	104.0	103.7	102.1	103.2	104.4	106.2	106.4	106.3	106.3	106.6	105.6
45 Paper materials	2.0	113.7	111.5	112.7	113.2	115.2	115.2	114.0	116.1	117.6	113.8	117.8	119.3	116.7	117.4
46 Chemical materials	3.8	116.9	118.6	117.1	117.2	119.1	119.9	119.7	120.4	121.6	122.2	125.3	123.1	123.4	123.5
47 Other	2.0	113.8	114.9	114.1	115.1	114.9	120.2	115.6	115.1	116.8	116.2	116.3	117.7	119.6	120.1
48 Energy materials	11.0	103.7	103.7	103.1	103.0	103.1	103.2	104.8	105.6	105.6	105.2	104.6	106.0	104.6	103.8
49 Primary energy	7.3	99.1	98.0	98.4	98.2	97.6	97.5	97.3	100.2	101.1	101.4	100.4	100.4	98.6	97.9
50 Converted fuel materials	3.7	112.7	114.9	112.3	112.6	113.8	114.5	119.6	116.1	114.4	112.5	112.6	117.0	116.4	115.2
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.2	110.6	111.2	111.2	111.5	112.2	113.2	113.7	114.0	115.2	115.4	116.2	116.9	117.4	117.9
52 Total excluding motor vehicles and parts	95.2	110.4	111.1	111.1	111.3	111.8	112.7	113.2	113.4	114.7	114.9	115.8	116.5	117.1	117.4
53 Total excluding computer and office equipment	97.7	108.2	108.2	108.3	108.8	109.6	110.6	111.1	111.3	112.1	112.2	112.9	113.4	113.7	114.4
54 Consumer goods excluding autos and trucks	24.8	108.5	109.3	108.8	108.8	108.6	108.7	109.3	109.6	110.6	109.9	111.1	112.3	113.1	113.0
55 Consumer goods excluding energy	23.8	108.2	107.8	107.7	108.6	109.0	109.8	109.9	111.0	111.6	111.5	111.8	112.5	113.1	114.1
56 Business equipment excluding autos and trucks	12.2	134.6	136.1	137.2	137.5	138.7	140.6	141.3	143.2	144.6	145.7	147.4	148.3	150.7	152.1
57 Business equipment excluding computer and office equipment	11.3	119.7	118.7	119.8	120.2	121.3	122.5	123.0	124.1	124.3	124.9	125.9	126.3	127.5	129.4
58 Materials excluding energy	29.5	115.0	115.3	115.6	116.5	118.0	120.0	120.1	120.1	122.1	122.7	123.8	123.9	124.6	125.9

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

Group	SIC code[2]	1987 proportion	1993 avg.	1993					1994							
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July[r]	Aug.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**110.9**	**111.1**	**111.3**	**111.9**	**112.8**	**114.0**	**114.6**	**115.0**	**115.9**	**116.0**	**116.6**	**117.3**	**117.7**	**118.5**
60 Manufacturing	...	84.3	111.7	111.8	112.1	112.9	114.0	115.4	115.6	116.1	117.2	117.7	118.5	118.8	119.4	120.6
61 Primary processing	...	27.1	107.6	107.9	107.7	108.5	109.9	111.3	110.7	110.0	111.4	112.3	113.8	113.4	113.4	114.0
62 Advanced processing	...	57.1	113.7	113.6	114.2	115.0	116.0	117.4	117.9	119.0	119.9	120.2	120.7	121.3	122.3	123.8
63 Durable goods	...	46.5	114.3	113.9	115.0	116.2	118.0	120.1	120.4	120.9	121.7	122.5	122.9	123.2	124.3	126.2
64 Lumber and products	24	2.1	100.6	100.9	101.8	104.6	104.9	105.2	105.2	102.8	102.9	103.8	105.8	105.8	104.0	104.6
65 Furniture and fixtures	25	1.5	103.3	105.2	105.2	104.8	104.2	106.3	105.4	107.4	107.6	109.5	109.9	110.7	111.8	111.2
66 Stone, clay, and glass products	32	2.4	98.7	98.4	99.9	99.7	100.5	104.6	101.1	100.0	101.7	102.7	104.1	103.3	103.0	102.9
67 Primary metals	33	3.3	106.5	107.2	107.3	106.1	109.8	113.0	110.5	107.6	111.1	114.4	115.4	112.4	113.5	114.1
68 Iron and steel	331,2	1.9	111.6	112.8	112.4	113.3	114.4	119.1	115.8	111.5	117.2	122.2	123.2	118.6	119.4	120.1
69 Raw steel	...	.1	105.7	106.3	105.9	107.2	106.2	110.9	102.0	105.8	106.0	105.3	105.7	106.3	104.7	...
70 Nonferrous	333–6,9	1.4	99.5	99.4	100.3	96.2	103.5	104.5	103.3	102.1	102.6	103.8	104.7	103.8	105.4	105.8
71 Fabricated metal products	34	5.4	99.5	99.6	99.6	100.7	102.1	102.6	103.9	103.0	104.1	105.0	105.1	105.9	106.5	107.3
72 Industrial and commercial machinery and computer equipment	35	8.5	144.1	147.1	148.4	150.3	152.0	155.7	156.3	158.8	161.4	162.8	165.0	165.8	169.0	171.2
73 Computer and office equipment	357	2.3	223.1	230.6	234.8	241.8	248.6	256.1	261.5	269.5	272.1	273.4	274.2	278.6	284.4	290.4
74 Electrical machinery	36	6.9	127.5	129.5	130.9	131.4	132.1	134.3	134.8	136.1	138.3	140.2	141.9	143.9	148.0	148.9
75 Transportation equipment	37	9.9	104.2	98.5	100.4	104.2	108.3	110.7	111.9	113.0	110.1	108.8	106.5	106.7	104.5	110.0
76 Motor vehicles and parts	371	4.8	120.7	110.6	115.1	124.1	132.4	138.5	142.1	146.1	139.9	137.5	132.5	132.9	129.6	141.1
77 Autos and light trucks	...	2.5	118.4	104.0	109.2	120.8	131.7	138.4	141.8	148.5	138.4	135.7	127.9	128.3	122.6	137.0
78 Aerospace and miscellaneous transportation equipment	372–6,9	5.1	88.7	87.2	86.7	85.5	85.7	84.5	83.4	82.0	82.1	81.9	82.2	82.0	81.0	80.9
79 Instruments	38	5.1	104.0	103.2	104.0	102.7	102.4	102.3	103.7	104.1	104.4	104.5	104.5	104.6	105.8	106.2
80 Miscellaneous	39	1.3	109.3	108.8	110.3	109.6	110.1	110.3	110.7	109.9	111.1	112.1	111.8	111.7	114.7	113.9
81 Nondurable goods	...	37.8	108.7	109.2	108.5	108.8	109.1	109.7	109.6	110.1	111.7	111.8	113.1	113.3	113.5	113.8
82 Foods	20	8.8	108.6	109.6	109.0	109.0	108.4	109.0	109.2	110.1	112.2	111.8	112.3	112.7	114.0	113.8
83 Tobacco products	21	1.0	91.0	90.3	85.4	86.4	83.3	84.3	88.2	86.7	89.4	94.1	97.4	96.8	97.7	98.6
84 Textile mill products	22	1.8	107.8	108.8	106.6	107.7	108.0	107.4	107.8	108.7	110.1	111.5	112.1	111.5	112.4	112.0
85 Apparel products	23	2.3	93.1	93.2	92.1	92.1	92.6	93.1	92.4	92.9	94.2	94.6	95.3	95.3	96.0	96.0
86 Paper and products	26	3.6	112.3	112.1	111.4	112.7	114.5	115.5	113.5	114.9	114.8	112.8	116.0	117.4	115.9	117.1
87 Printing and publishing	27	6.5	101.3	100.9	101.1	101.6	101.7	101.9	101.7	102.3	103.6	103.9	104.4	105.0	104.3	105.0
88 Chemicals and products	28	8.8	117.8	118.8	118.3	117.8	118.8	119.3	119.3	119.9	121.7	121.2	123.3	123.6	123.6	123.8
89 Petroleum products	29	1.3	104.9	103.5	105.3	108.2	107.8	107.1	104.8	104.5	104.1	108.9	109.0	106.1	105.6	107.8
90 Rubber and plastic products	30	3.2	115.9	117.5	116.7	116.5	117.8	119.3	120.3	119.7	122.5	123.0	124.6	124.9	125.3	125.3
91 Leather and products	31	.3	85.0	83.6	83.5	83.9	83.5	85.1	84.8	83.1	85.1	86.0	84.3	83.2	83.0	82.0
92 Mining	...	8.0	97.3	96.6	97.4	98.0	96.9	96.9	97.0	98.8	99.5	99.9	99.1	99.7	98.4	97.6
93 Metal	10	.3	167.6	152.9	159.4	175.8	168.5	177.3	177.8	167.4	167.3	171.3	160.3	168.8	168.5	167.8
94 Coal	12	1.2	103.8	98.5	104.4	104.4	101.1	104.7	104.0	114.4	120.4	119.8	113.2	115.0	108.6	107.0
95 Oil and gas extraction	13	5.8	92.2	93.3	92.6	92.6	91.8	90.9	91.0	91.8	91.5	91.9	92.6	92.8	92.2	91.5
96 Stone and earth minerals	14	.7	93.8	94.1	94.5	94.1	98.2	93.9	94.9	97.1	96.3	96.9	99.3	97.6	98.8	98.1
97 Utilities	...	7.7	116.2	118.4	116.2	114.9	116.1	115.8	121.9	119.8	118.0	114.4	114.7	119.5	118.0	116.5
98 Electric	491,3PT	6.1	115.9	119.5	115.8	113.7	115.2	115.5	119.1	118.1	117.4	115.8	115.5	121.5	119.8	117.5
99 Gas	492,3PT	1.6	117.2	114.4	118.0	119.1	119.4	117.0	132.6	126.4	120.1	109.4	111.9	111.7	111.5	112.6
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	79.5	111.2	111.8	111.9	112.2	112.9	114.0	114.0	114.3	115.8	116.5	117.6	118.0	118.8	119.4
101 Manufacturing excluding office and computing machines	...	81.9	108.6	108.4	108.6	109.2	110.2	111.4	111.4	111.7	112.8	113.2	114.0	114.2	114.7	115.8
		Gross value (billions of 1987 dollars, annual rates)														
MAJOR MARKETS																
102 **Products, total**	...	**1,707.0**	**1,886.9**	**1,878.2**	**1,886.3**	**1,908.8**	**1,928.2**	**1,943.9**	**1,955.4**	**1,964.1**	**1,962.6**	**1,965.5**	**1,969.4**	**1,979.9**	**1,982.5**	**2,007.8**
103 Final	...	1,314.6	1,480.7	1,470.0	1,479.5	1,498.9	1,514.9	1,525.7	1,535.0	1,547.9	1,544.5	1,541.1	1,542.9	1,552.5	1,555.7	1,580.1
104 Consumer goods	...	866.6	944.1	937.3	940.2	953.1	960.2	963.7	968.7	974.0	972.4	967.4	969.5	976.6	976.9	989.8
105 Equipment	...	448.0	536.7	532.7	539.2	545.7	554.7	561.9	566.3	573.9	572.0	573.7	573.4	575.9	578.8	590.3
106 Intermediate	...	392.5	406.1	408.2	406.9	410.0	413.3	418.2	420.4	416.2	418.2	424.5	426.5	427.4	426.8	427.7

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in February 1994. See "Industrial Production and Capacity Utilization since 1990: A Revision," *Federal Reserve Bulletin*, vol. 80 (March 1994), pp. 220–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1991	1992	1993	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.	1994 Feb.	1994 Mar.	1994 Apr.	1994 May	1994 June	1994 July
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	949	1,095	1,199	1,298	1,363	1,474	1,312	1,252	1,313	1,380	1,357	1,316	1,337
2 One-family	754	911	986	1,078	1,132	1,181	1,071	1,054	1,068	1,069	1,083	1,046	1,034
3 Two-family or more	195	184	213	220	231	293	241	198	245	311	274	270	303
4 Started	1,014	1,200	1,288	1,409	1,406	1,612	1,271	1,328	1,519	1,471	1,491	1,358	1,413
5 One-family	840	1,030	1,126	1,231	1,248	1,383	1,125	1,121	1,271	1,211	1,200	1,163	1,199
6 Two-family or more	174	169	162	178	158	229	146	207	248	260	291	195	214
7 Under construction at end of period[1]	606	612	680	686	699	713	716	720	732	740	748	750	758
8 One-family	434	473	543	551	564	574	577	578	585	585	582	583	588
9 Two-or-more-family	173	140	137	135	135	139	139	142	147	155	166	167	170
10 Completed	1,091	1,158	1,193	1,248	1,248	1,289	1,216	1,334	1,273	1,354	1,446	1,333	1,274
11 One-family	838	964	1,040	1,081	1,107	1,139	1,075	1,185	1,115	1,192	1,257	1,158	1,143
12 Two-or-more-family	253	194	153	167	141	150	141	149	158	162	189	175	131
13 Mobile homes shipped	171	210	254	260	283	308	316	301	308	290	292	292	286
Merchant builder activity in one-family units													
14 Number sold	507	610	666	723	766	817	642	697	722	673	692	613	664
15 Number for sale at end of period[1]	284	266	294	291	294	294	296	298	298	298[r]	299	313	314
Price of units sold (thousands of dollars)[2]													
16 Median	120.0	121.3	126.1	125.0	130.0	125.0	126.0	129.9	132.3	129.0	129.9	131.0	123.0
17 Average	147.0	144.9	147.6	146.9	152.5	146.4	153.4	150.7	152.8	152.9[r]	153.0	156.9	144.7
EXISTING UNITS (one-family)													
18 Number sold	3,219	3,520	3,800	4,030	4,120	4,350	4,250	3,840	4,070	4,120	4,110	3,960	3,970
Price of units sold (thousands of dollars)[2]													
19 Median	99.7	103.6	106.5	106.6	107.1	107.4	107.9	107.2	107.6	108.9	109.8	112.8	111.7
20 Average	127.4	130.8	133.1	133.0	133.1	133.7	134.6	133.3	134.4	135.5	136.6	140.9	139.3
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**403,644**	**435,355**	**466,365**	**477,807**	**490,176**	**499,931**	**488,469**	**485,894**	**496,042**	**500,453**	**506,208**	**507,452**	**510,530**
22 Private	293,536	316,115	341,101	350,164	360,386	367,271	363,852	361,895	371,681	377,629	379,908	381,437	380,747
23 Residential	157,837	187,870	210,455	216,559	222,351	228,549	229,775	233,322	236,767	238,800	239,858	239,509	237,205
24 Nonresidential	135,699	128,245	130,646	133,605	138,035	138,722	134,077	128,573	134,914	138,829	140,050	141,928	143,542
25 Industrial buildings	22,281	20,720	19,533	19,239	19,319	20,391	19,682	19,972	19,905	21,287	21,442	21,083	21,481
26 Commercial buildings	48,482	41,523	42,627	43,422	46,696	47,342	43,261	42,065	46,602	47,514	47,975	48,807	49,673
27 Other buildings	20,797	21,494	23,626	24,486	24,071	24,225	22,998	22,258	23,918	23,826	24,031	24,345	24,696
28 Public utilities and other	44,139	44,508	44,860	46,458	47,949	46,764	48,136	44,278	44,489	46,202	46,602	47,693	47,692
29 Public	110,107	119,238	125,262	127,642	129,790	132,659	124,617	123,999	124,361	122,824	126,300	126,015	129,783
30 Military	1,837	2,502	2,454	2,289	2,245	2,298	2,911	2,404	2,231	2,179	2,165	2,209	2,123
31 Highway	32,041	34,899	37,355	39,654	40,742	40,657	38,410	36,329	38,830	39,404	40,579	40,268	40,560
32 Conservation and development	5,010	6,021	5,976	6,301	5,218	5,230	5,707	6,731	5,206	5,685	5,673	4,466	5,800
33 Other	71,219	75,816	79,477	79,398	81,585	84,474	77,589	78,535	78,094	75,556	77,883	79,072	81,300

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

SOURCES. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 17,000 jurisdictions beginning in 1984.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Aug. 1994[1]
	1993 Aug.	1994 Aug.	1993		1994		1994					
			Sept.	Dec.	Mar.	June	Apr.	May	June	July	Aug.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.8**	**2.9**	**2.0**	**3.3**	**2.5**	**2.5**	**.1**	**.2**	**.3**	**.3**	**.3**	**149.0**
2 Food	2.0	2.8	2.6	4.9	−1.1	2.8	.1	.3	.3	.5	.4	144.8
3 Energy items	−.2	3.1	−4.2	1.2	4.7	−4.9	−.4	−1.0	.1	1.8	1.4	108.5
4 All items less food and energy	3.3	2.9	2.1	3.4	2.9	3.1	.2	.3	.3	.2	.3	157.0
5 Commodities	2.0	1.5	.0	2.4	.6	4.2	.1	.4	.4	.1	−.1	136.8
6 Services	4.0	3.5	3.5	3.7	4.2	2.4	.2	.2	.2	.2	.4	168.5
PRODUCER PRICES (1982=100)												
7 Finished goods	.5	1.9	−2.5	−.3	3.6	−.3	.0	−.1	.0	.5	.6	126.6
8 Consumer foods	1.6	1.4	3.2	5.2	−.6	−5.8	−.5	−1.0r	.0	.5	.7	127.1
9 Consumer energy	−1.4	2.8	−7.4	−15.6	15.4	−2.6	.3r	−1.2r	.3	2.5	1.7	81.3
10 Other consumer goods	−.1	1.7	−6.4	1.5	2.0	1.5	−.1r	.5r	−.1	.0	.4	139.0
11 Capital equipment	1.8	2.4	2.2	.3	4.3	3.6	.4	.4	.1	.1	.1	134.4
Intermediate materials												
12 Excluding foods and feeds	.8	2.6	−1.0	−.3	2.8	2.8	.0	.2	.5	.6	.7	119.7
13 Excluding energy	1.3	2.8	1.0	1.6	1.9	3.9	.1	.3	.6	.4	.5	127.3
Crude materials												
14 Foods	4.1	−5.8	13.1	18.4	−4.5	−20.9	−1.1r	−3.5r	−1.2	−2.1	−1.4	101.7
15 Energy	−7.7	1.9	−28.1	−22.1	10.1	26.9	1.1r	1.7r	3.3	−1.3	−.1	75.0
16 Other	6.9	12.4	−4.5	15.4	22.7	−2.1	−.3r	−1.0r	.7	2.0	1.4	157.2

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

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

Account	1991	1992	1993	1993 Q2	1993 Q3	1993 Q4	1994 Q1	1994 Q2[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**5,724.8**	**6,020.2**	**6,343.3**	**6,299.9**	**6,359.2**	**6,478.1**	**6,574.7**	**6,685.5**
By source								
2 Personal consumption expenditures	3,902.4	4,136.9	4,378.2	4,347.3	4,401.2	4,469.6	4,535.0	4,587.3
3 Durable goods	456.6	492.7	538.0	531.2	541.9	562.8	576.2	581.8
4 Nondurable goods	1,257.8	1,295.5	1,339.2	1,334.2	1,340.2	1,355.2	1,368.9	1,381.0
5 Services	2,188.1	2,348.7	2,501.0	2,481.9	2,519.1	2,551.6	2,589.9	2,624.5
6 Gross private domestic investment	744.8	788.3	882.0	869.7	882.2	922.5	966.6	1,031.7
7 Fixed investment	746.6	785.2	866.7	851.1	868.3	913.5	942.5	967.5
8 Nonresidential	557.0	561.4	616.1	609.3	619.0	646.3	665.4	683.4
9 Structures	182.9	171.1	173.4	172.3	173.9	176.7	172.7	181.4
10 Producers' durable equipment	374.1	390.3	442.7	437.0	445.1	469.6	492.7	502.0
11 Residential structures	189.6	223.8	250.6	241.8	249.3	267.2	277.1	284.1
12 Change in business inventories	−1.8	3.0	15.4	18.6	13.9	9.0	24.1	64.2
13 Nonfarm	−1.2	−2.7	20.1	23.9	24.2	10.7	22.3	60.5
14 Net exports of goods and services	−19.9	−30.3	−65.3	−63.3	−77.0	−71.2	−86.7	−99.8
15 Exports	601.1	638.1	659.1	660.1	649.0	680.3	674.2	703.2
16 Imports	620.9	668.4	724.3	723.5	726.0	751.4	760.9	803.0
17 Government purchases of goods and services	1,097.4	1,125.3	1,148.4	1,146.3	1,152.9	1,157.2	1,159.8	1,166.3
18 Federal	445.8	449.0	443.6	445.2	442.7	439.8	437.8	434.9
19 State and local	651.6	676.3	704.7	701.2	710.2	717.4	722.0	731.4
By major type of product								
20 Final sales, total	5,726.6	6,017.2	6,327.9	6,281.4	6,345.4	6,469.2	6,550.6	6,621.4
21 Goods	2,225.7	2,292.0	2,390.4	2,377.6	2,381.9	2,452.6	2,489.1	2,496.2
22 Durable	934.2	968.6	1,032.4	1,030.6	1,026.8	1,072.9	1,098.2	1,102.3
23 Nondurable	1,291.5	1,323.4	1,358.1	1,347.0	1,355.1	1,379.7	1,390.9	1,393.9
24 Services	3,028.9	3,227.2	3,405.5	3,383.1	3,429.3	3,459.3	3,503.8	3,551.6
25 Structures	472.0	498.1	532.0	520.6	534.1	557.2	557.7	573.5
26 Change in business inventories	−1.8	3.0	15.4	18.6	13.9	9.0	24.1	64.2
27 Durable goods	−16.9	−13.0	8.6	3.7	14.9	9.0	20.6	37.6
28 Nondurable goods	15.1	16.0	6.7	14.8	−1.1	.0	3.5	26.5
MEMO								
29 **Total GDP in 1987 dollars**	**4,867.6**	**4,979.3**	**5,134.5**	**5,105.4**	**5,139.4**	**5,218.0**	**5,261.1**	**5,310.2**
NATIONAL INCOME								
30 **Total**	**4,608.2**	**4,829.5**	**5,131.4**	**5,094.0**	**5,138.5**	**5,262.0**	**5,308.7**	**5,422.0**
31 Compensation of employees	3,404.8	3,591.2	3,780.4	3,761.1	3,801.7	3,845.8	3,920.0	3,979.6
32 Wages and salaries	2,816.0	2,954.8	3,100.8	3,085.1	3,115.9	3,148.4	3,208.3	3,257.6
33 Government and government enterprises	545.4	567.3	583.8	580.9	586.1	587.8	595.7	602.5
34 Other	2,270.6	2,387.5	2,517.0	2,504.2	2,529.8	2,560.7	2,612.6	2,655.1
35 Supplement to wages and salaries	588.8	636.4	679.6	676.0	685.9	697.4	711.7	722.0
36 Employer contributions for social insurance	289.8	307.7	324.3	324.6	327.0	330.6	338.5	343.6
37 Other labor income	299.0	328.7	355.3	351.4	358.8	366.8	373.2	378.4
38 Proprietors' income[1]	376.2	418.7	441.6	438.8	420.3	462.9	471.0	467.6
39 Business and professional[1]	339.5	374.4	404.3	399.4	404.5	418.5	423.8	431.8
40 Farm[1]	36.7	44.4	37.3	39.4	15.8	44.4	47.2	35.8
41 Rental income of persons[2]	−10.5	−5.5	24.1	23.4	26.3	30.3	15.3	33.0
42 Corporate profits[1]	390.3	405.1	485.8	473.1	493.5	533.9	508.2	547.3
43 Profits before tax[3]	365.2	395.9	462.4	456.6	458.7	501.7	483.5	523.1
44 Inventory valuation adjustment	5.8	−6.4	−6.2	−10.0	3.0	−6.5	−12.3	−12.5
45 Capital consumption adjustment	19.4	15.7	29.5	26.5	31.7	38.8	37.0	36.8
46 Net interest	447.4	420.0	399.5	397.6	396.7	389.1	394.2	394.4

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

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

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

Account	1991	1992	1993	1993			1994	
				Q2	Q3	Q4	Q1	Q2[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**4,860.3**	**5,154.3**	**5,375.1**	**5,364.5**	**5,395.9**	**5,484.6**	**5,555.8**	**5,651.0**
2 Wage and salary disbursements	2,816.1	2,974.8	3,080.8	3,085.1	3,115.9	3,148.4	3,208.3	3,257.6
3 Commodity-producing industries	738.4	757.6	773.8	776.4	781.4	791.0	801.9	811.4
4 Manufacturing	557.4	578.3	588.4	591.4	594.9	601.7	609.4	612.6
5 Distributive industries	648.0	682.3	701.9	704.0	709.6	712.6	728.6	742.4
6 Service industries	884.2	967.6	1,021.4	1,023.7	1,038.8	1,057.0	1,082.0	1,101.3
7 Government and government enterprises	545.5	567.3	583.8	580.9	586.1	587.8	595.7	602.5
8 Other labor income	299.0	328.7	355.3	351.4	358.8	366.8	373.2	378.4
9 Proprietors' income[1]	376.2	418.7	441.6	438.8	420.3	462.9	471.0	467.6
10 Business and professional[1]	339.5	374.4	404.3	399.4	404.5	418.5	423.8	431.8
11 Farm[1]	36.7	44.4	37.3	39.4	15.8	44.4	47.2	35.8
12 Rental income of persons[2]	-10.5	-5.5	24.1	23.4	26.3	30.3	15.3	33.0
13 Dividends	150.5	161.0	181.3	180.4	182.8	184.1	185.7	191.7
14 Personal interest income	695.1	665.2	637.9	636.6	634.1	627.7	631.1	645.0
15 Transfer payments	770.1	860.2	915.4	910.4	921.6	931.0	947.4	957.6
16 Old-age survivors, disability, and health insurance benefits	382.3	414.0	444.4	441.9	446.8	452.1	463.8	470.6
17 LESS: Personal contributions for social insurance	236.2	248.7	261.3	261.5	263.8	266.6	276.3	279.9
18 EQUALS: Personal income	4,860.3	5,154.3	5,375.1	5,364.5	5,395.9	5,484.6	5,555.8	5,651.0
19 LESS: Personal tax and nontax payments	623.7	648.6	686.4	685.9	695.4	707.0	723.0	746.4
20 EQUALS: Disposable personal income	4,236.6	4,505.8	4,688.7	4,678.6	4,700.5	4,777.6	4,832.8	4,904.6
21 LESS: Personal outlays	4,025.0	4,257.8	4,496.2	4,464.6	4,518.2	4,588.2	4,657.3	4,713.3
22 EQUALS: Personal saving	211.6	247.9	192.6	214.0	182.3	189.4	175.5	191.3
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product	19,263.3	19,489.7	19,878.8	19,795.4	19,871.2	20,119.1	20,235.2	20,374.6
24 Personal consumption expenditures	12,898.9	13,110.4	13,390.8	13,335.0	13,425.1	13,518.9	13,639.8	13,653.9
25 Disposable personal income	14,003.0	14,279.0	14,341.0	14,351.0	14,338.0	14,451.0	14,535.0	14,598.0
26 Saving rate (percent)	5.0	5.5	4.1	4.6	3.9	4.0	3.6	3.9
GROSS SAVING								
27 **Gross saving**	**751.4**	**722.9**	**787.5**	**775.0**	**788.9**	**825.8**	**886.2**	**914.3**
28 Gross private saving	937.3	980.8	1,002.5	986.6	989.9	1,011.4	1,037.3	1,033.7
29 Personal saving	211.6	247.9	192.6	214.0	182.3	189.4	175.5	191.3
30 Undistributed corporate profits[1]	99.2	94.3	120.9	110.7	130.3	147.9	127.7	143.4
31 Corporate inventory valuation adjustment	5.8	-6.4	-6.2	-10.0	3.0	-6.5	-12.3	-12.5
Capital consumption allowances								
32 Corporate	383.3	396.8	407.8	404.8	413.3	411.1	432.2	426.6
33 Noncorporate	243.1	261.8	261.2	257.2	264.1	263.0	301.8	272.3
34 Government surplus, or deficit (−), national income and product accounts	-185.9	-257.8	-215.0	-211.6	-201.0	-185.6	-151.1	-119.3
35 Federal	-202.9	-282.7	-241.4	-237.0	-224.9	-220.1	-176.2	-145.0
36 State and local	17.0	24.8	26.3	25.3	23.9	34.5	25.2	25.7
37 **Gross investment**	**752.9**	**731.7**	**789.8**	**780.8**	**783.4**	**809.3**	**850.2**	**896.7**
38 Gross private domestic investment	744.8	788.3	882.0	869.7	882.2	922.5	966.6	1,031.7
39 Net foreign investment	8.1	-56.6	-92.3	-88.9	-98.8	-113.2	-116.4	-135.0
40 **Statistical discrepancy**	**1.5**	**8.8**	**2.3**	**5.7**	**-5.5**	**-16.5**	**-36.1**	**-17.7**

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

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1991	1992	1993	1993			1994	
				Q2	Q3	Q4	Q1[r]	Q2[p]
1 Balance on current account	−6,952	−67,886	−103,896	−25,602	−27,856	−30,587	−32,317	−36,970
2 Merchandise trade balance[2]	−74,068	−96,097	−132,575	−33,727	−36,488	−33,169	−36,962	−41,771
3 Merchandise exports	416,913	440,361	456,866	113,787	111,736	119,679	118,018	122,670
4 Merchandise imports	−490,981	−536,458	−589,441	−147,514	−148,224	−152,848	−154,980	−164,441
5 Military transactions, net	−5,485	−3,034	−763	−129	−87	−444	−338	17
6 Other service transactions, net	51,082	58,747	57,613	14,786	14,317	13,637	12,972	14,743
7 Investment income, net	14,833	4,540	3,946	668	2,015	−590	−811	−2,495
8 U.S. government grants	23,959	−15,010	−14,620	−2,730	−3,114	−5,591	−2,371	−2,588
9 U.S. government pensions and other transfers	−3,461	−3,735	−3,785	−985	−986	−987	−968	−975
10 Private remittances and other transfers	−13,811	−13,297	−13,712	−3,486	−3,513	−3,443	−3,839	−3,901
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	2,900	−1,652	−306	−281	−192	−321	490	−217
12 Change in U.S. official reserve assets (increase, −)	5,763	3,901	−1,379	822	−545	−673	−59	3,537
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−177	2,316	−537	−166	−118	−113	−101	−108
15 Reserve position in International Monetary Fund	−367	−2,692	−44	313	−48	−80	−3	251
16 Foreign currencies	6,307	4,277	−797	675	−378	−480	45	3,394
17 Change in U.S. private assets abroad (increase, −)	−60,175	−63,759	−146,213	−36,507	−34,915	−62,628	−48,667	−5,147
18 Bank-reported claims[3]	4,763	22,314	32,238	5,595	7,335	−9,293	−1,236	15,141
19 Nonbank-reported claims	11,097	45	−598	−87	4,838	−303	1,941	...
20 *U.S. purchases of foreign securities, net*	−44,740	−45,114	−119,983	−24,340	−40,777	−30,349	−24,605	−12,486
21 U.S. direct investments abroad, net	−31,295	−41,004	−57,870	−17,675	−6,311	−22,683	−24,767	−7,802
22 Change in foreign official assets in United States (increase, +)	17,199	40,858	71,681	17,492	19,259	23,962	11,530	7,869
23 U.S. Treasury securities	14,846	18,454	48,702	5,668	19,098	22,856	1,193	6,168
24 Other U.S. government obligations	1,301	3,949	4,062	1,082	1,345	970	50	2,483
25 *Other U.S. government liabilities*[4]	1,177	2,572	1,666	158	1,121	825	938	121
26 Other U.S. liabilities reported by U.S. banks[3]	−1,484	16,571	14,666	9,485	−2,489	−587	10,139	53
27 Other foreign official assets[5]	1,359	−688	2,585	1,099	184	−102	−790	−956
28 Change in foreign private assets in United States (increase, +)	80,935	105,646	159,017	34,337	52,675	66,200	83,548	34,460
29 U.S. bank-reported liabilities[3]	3,994	15,461	18,452	3,459	27,618	7,370	35,200	24,770
30 U.S. nonbank-reported liabilities	−3,115	13,573	14,282	7,606	1,169	4,733	5,867	...
31 Foreign private purchases of U.S. Treasury securities, net	18,826	36,857	24,849	−622	3,474	7,996	9,260	−7,662
32 Foreign purchases of other U.S. securities, net	35,144	29,867	80,068	15,025	17,445	38,008	21,258	13,447
33 Foreign direct investments in United States, net	26,086	9,888	21,366	8,869	2,969	8,093	11,963	3,905
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−39,670	−17,108	21,096	9,739	−8,427	4,047	−14,525	−3,532
36 Due to seasonal adjustment	...	...	...	435	−6,643	103	5,810	480
37 Before seasonal adjustment	−39,670	−17,108	21,096	9,304	−1,785	3,944	−20,335	−4,012
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	5,763	3,901	−1,379	822	−545	−673	−59	3,537
39 Foreign official assets in United States, excluding line 25 (increase, +)	16,022	38,286	70,015	17,334	18,138	23,137	10,592	7,748
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−4,882	5,942	−3,847	−869	−3,194	−229	−1,674	−3,965

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institution as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1991	1992	1993	1994 Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July[p]
1 Goods and services, balance	−28,472	−40,384	−75,725	−7,829	−9,595	−6,898	−8,447	−9,381	−9,041	−10,991
2 Merchandise	−74,068	−96,097	−132,575	−11,968	−13,543	−11,446	−13,337	−14,271	−14,019	−15,696
3 Services	45,596	55,713	56,850	4,139	3,948	4,548	4,890	4,890	4,978	4,705
4 Goods and services, exports	580,127	616,924	641,677	53,625	52,865	58,387	56,402	56,397	58,362	56,472
5 Merchandise	416,913	440,361	456,866	38,533	37,425	42,065	40,378	40,276	42,028	40,335
6 Services	163,214	176,563	184,811	15,092	15,440	16,322	16,024	16,121	16,334	16,137
7 Goods and services, imports	−608,599	−657,308	−717,402	−61,454	−62,460	−65,285	−64,849	−65,778	−67,403	−67,463
8 Merchandise	−490,981	−536,458	−589,441	−50,501	−50,968	−53,511	−53,715	−54,547	−56,047	−56,031
9 Services	−117,618	−120,850	−127,961	−10,953	−11,492	−11,774	−11,134	−11,231	−11,356	−11,432
MEMO										
10 **Balance on merchandise trade, Census basis**	**−66,723**	**−84,501**	**−115,568**	**−10,850**	**−12,072**	**−9,583**	**−12,045**	**−12,885**	**−13,028**	**−14,593**

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. FT900, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1991	1992	1993	1994 Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1 **Total**	77,719	71,323	73,442	75,766	76,809	76,565	74,420	75,732	75,443	75,740
2 Gold stock, including Exchange Stabilization Fund[1]	11,057	11,056	11,053	11,053	11,052	11,053	11,052	11,052	11,052	11,054
3 Special drawing rights[2,3]	11,240	8,503	9,039	9,295	9,383	9,440	9,522	9,731	9,696	9,837
4 Reserve position in International Monetary Fund[2]	9,488	11,759	11,818	11,974	12,135	11,899	11,841	12,184	12,183	12,161
5 Foreign currencies[4]	45,934	40,005	41,532	43,444	44,239	44,173	42,005	42,765	42,512	42,688

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

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

Millions of dollars, end of period

Asset	1991	1992	1993	1994 Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1 Deposits	968	205	386	190	454	171	174	604	181	188
Held in custody										
2 U.S. Treasury securities[2]	281,107	314,481	379,394	393,238	399,817	396,495	402,170	411,580	423,715	427,574
3 Earmarked gold[3]	13,303	13,118	12,327	12,238	12,145	12,104	12,065	12,065	12,056	12,044

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1992[r]	1993	1994						
			Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July[p]
1 **Total**[1]	**412,624**	**482,594**	**492,362**	**491,747**	**493,189**	**479,147**	**488,093**	**501,095**	**514,696**
By type									
2 Liabilities reported by banks in the United States[2]	54,967	69,648	78,546	77,998	79,787	74,681	76,897	80,264	83,264
3 U.S. Treasury bills and certificates[3]	104,596	150,900	146,940	143,222	148,707	140,653	134,568	141,338	146,247
U.S. Treasury bonds and notes									
4 Marketable	210,931	212,169	216,453	220,498	215,447	214,807	226,060	228,734	233,592
5 Nonmarketable[4]	4,532	5,652	5,689	5,725	5,763	5,799	5,837	5,875	5,913
6 U.S. securities other than U.S. Treasury securities[5]	37,598	44,225	44,734	44,304	43,485	43,207	44,731	44,884	45,680
By area									
7 Europe[1]	189,230	206,665	214,220	208,177	214,970	210,321	213,453	221,233	225,760
8 Canada	13,700	15,285	15,864	15,624	14,108	13,901	14,505	15,971	18,656
9 Latin America and Caribbean	37,973	55,908	55,619	59,261	53,399	44,435	43,727	42,688	42,677
10 Asia	164,690	197,733	199,776	201,464	203,836	203,459	209,054	211,216	217,997
11 Africa	3,723	4,052	3,839	4,201	3,718	3,691	3,969	4,112	3,797
12 Other countries[6]	3,306	2,949	3,042	3,018	3,156	3,338	3,383	5,873	5,807

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; zero coupon bonds are included at current value.
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.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1990	1991	1992	1993		1994	
				Sept.	Dec.	Mar.	June
1 Banks' liabilities	70,477	75,129	72,796	81,225	77,627	85,545	71,682
2 Banks' claims	66,796	73,195	62,799	59,136	59,151	72,623	55,694
3 Deposits	29,672	26,192	24,240	20,930	19,379	18,118	20,430
4 Other claims	37,124	47,003	38,559	38,206	39,772	54,505	35,264
5 Claims of banks' domestic customers[2]	6,309	3,398	4,432	2,494	3,058	3,655	4,182

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1991	1992	1993	1994 Jan.	Feb.	Mar.	Apr.	May	June[r]	July[p]
By Holder and Type of Liability										
1 **Total, all foreigners**	**756,066**	**810,259**	**911,762**	**895,879**	**920,638**	**951,606**	**958,806**	**960,796[r]**	**988,357**	**995,481**
2 Banks' own liabilities	575,374	606,444	620,865	609,542	631,501	649,703	667,187	665,667[r]	684,680	697,961
3 Demand deposits	20,321	21,828	21,575	23,644	24,417	23,034	23,646	27,878	24,558	23,594
4 Time deposits[2]	159,649	160,385	175,117	159,421	159,743	176,892	178,034	183,097[r]	184,307	185,945
5 Other[3]	66,305	93,237	109,957	129,411	136,096	112,463	124,531	123,652[r]	116,959	126,244
6 Own foreign offices[4]	329,099	330,994	314,216	297,066	311,245	337,314	340,976	331,040[r]	358,856	362,178
7 Banks' custodial liabilities[5]	180,692	203,815	290,897	286,337	289,137	301,903	291,619	295,129	303,677	297,520
8 U.S. Treasury bills and certificates[6]	110,734	127,644	176,430	170,694	166,980	173,425	167,920	161,043	171,315	170,061
9 Other negotiable and readily transferable instruments[7]	18,664	21,974	36,078	37,329	41,892	41,748	38,151	48,705	49,913	46,313
10 Other	51,294	54,197	78,389	78,314	80,265	86,730	85,548	85,381	82,449	81,146
11 Nonmonetary international and regional organizations[8]	8,981	9,350	10,935	11,318	7,299	8,086	5,912	8,363	8,630	7,318
12 Banks' own liabilities	6,827	6,951	5,639	7,304	5,924	5,641	4,328	6,437	5,256	5,511
13 Demand deposits	43	46	15	172	320	209	26	35	31	29
14 Time deposits[2]	2,714	3,214	2,780	3,665	2,533	2,482	2,411	2,785	3,073	3,469
15 Other[3]	4,070	3,691	2,844	3,467	3,071	2,950	1,891	3,617	2,152	2,013
16 Banks' custodial liabilities[5]	2,154	2,399	5,296	4,014	1,375	2,445	1,584	1,926	3,374	1,807
17 U.S. Treasury bills and certificates[6]	1,730	1,908	4,275	3,497	1,321	2,097	1,358	857	2,825	1,082
18 Other negotiable and readily transferable instruments[7]	424	486	1,021	517	54	338	226	1,069	547	725
19 Other	0	5	0	0	0	10	0	0	2	0
20 Official institutions[9]	131,088	159,563	220,548	225,486	221,220	228,494	215,334	211,465[r]	221,602	229,511
21 Banks' own liabilities	34,411	51,202	64,071	71,531	67,369	67,086	64,668	64,803[r]	67,022	72,346
22 Demand deposits	2,626	1,302	1,601	1,631	1,406	1,758	1,504	1,435	2,031	1,472
23 Time deposits[2]	16,504	17,939	21,654	20,237	20,028	23,944	22,050	24,384	25,965	27,331
24 Other[3]	15,281	31,961	40,816	49,663	45,935	41,384	41,114	38,984[r]	39,026	43,543
25 Banks' custodial liabilities[5]	96,677	108,361	156,477	153,955	153,851	161,408	150,666	146,662	154,580	157,165
26 U.S. Treasury bills and certificates[6]	92,692	104,596	150,900	146,940	143,222	148,707	140,653	134,568	141,338	146,247
27 Other negotiable and readily transferable instruments[7]	3,879	3,726	5,482	6,855	10,527	12,414	9,969	12,050	13,108	10,859
28 Other	106	39	95	160	102	287	44	44	134	59
29 Banks[10]	522,265	547,320	579,467	554,851	585,118	609,824	622,810	626,322[r]	643,509	649,359
30 Banks' own liabilities	459,335	476,117	474,602	451,239	479,177	497,732	514,759	510,730[r]	530,965	538,732
31 Unaffiliated foreign banks	130,236	145,123	160,386	154,173	167,932	160,418	173,783	179,690	172,109	176,554
32 Demand deposits	8,648	10,170	9,719	11,031	11,986	10,707	11,785	15,551	12,320	11,792
33 Time deposits[2]	82,857	90,296	105,192	87,788	92,401	104,776	107,550	109,024	108,220	107,186
34 Other[3]	38,731	44,657	45,475	55,354	63,545	44,935	54,448	55,115	51,569	57,576
35 Own foreign offices[4]	329,099	330,994	314,216	297,066	311,245	337,314	340,976	331,040[r]	358,856	362,178
36 Banks' custodial liabilities[5]	62,930	71,203	104,865	103,612	105,941	112,092	108,051	115,592	112,544	110,627
37 U.S. Treasury bills and certificates[6]	7,471	11,087	10,707	9,832	11,051	11,007	10,079	11,405	10,834	10,135
38 Other negotiable and readily transferable instruments[7]	5,694	7,555	16,810	17,136	17,010	17,404	15,684	22,021	22,347	21,512
39 Other	49,765	52,561	77,348	76,644	77,880	83,681	82,288	82,166	79,363	78,980
40 Other foreigners	93,732	94,026	100,812	104,224	107,001	105,202	114,750	114,646[r]	114,616	109,293
41 Banks' own liabilities	74,801	72,174	76,553	79,468	79,031	79,244	83,432	83,697[r]	81,437	81,372
42 Demand deposits	9,004	10,310	10,240	10,810	10,705	10,360	10,331	10,857	10,176	10,301
43 Time deposits[2]	57,574	48,936	45,491	47,731	44,781	45,690	46,023	46,904[r]	47,049	47,959
44 Other[3]	8,223	12,928	20,822	20,927	23,545	23,194	27,078	25,936[r]	24,212	23,112
45 Banks' custodial liabilities[5]	18,931	21,852	24,259	24,756	27,970	25,958	31,318	30,949	33,179	27,921
46 U.S. Treasury bills and certificates[6]	8,841	10,053	10,548	10,425	11,386	11,614	15,830	14,213	16,318	12,597
47 Other negotiable and readily transferable instruments[7]	8,667	10,207	12,765	12,821	14,301	11,592	12,272	13,565	13,911	13,217
48 Other	1,423	1,592	946	1,510	2,283	2,752	3,216	3,171	2,950	2,107
Memo										
49 Negotiable time certificates of deposit in custody for foreigners	7,456	9,111	17,567	17,509	17,929	19,209	17,961	26,385	27,075	25,589

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

	Item	1991	1992	1993	1994 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
	AREA										
1	**Total, all foreigners**	**756,066**	**810,259**	**911,762**	**895,879**	**920,638**	**951,606**	**958,806**	**960,796[r]**	**988,357[r]**	**995,481**
2	**Foreign countries**	**747,085**	**800,909**	**900,827**	**884,561**	**913,339**	**943,520**	**952,894**	**952,433[r]**	**979,727[r]**	**988,163**
3	Europe	249,097	307,670	376,532	368,666	393,566	399,542	406,298	405,308[r]	411,697[r]	421,461
4	Austria	1,193	1,611	1,917	2,567	2,159	2,515	2,719	3,309	3,578	3,364
5	Belgium and Luxembourg	13,337	20,567	28,627	29,395	30,617	31,827	32,043	32,612	25,293[r]	25,135
6	Denmark	937	3,060	4,517	5,089	4,829	3,093	3,342	3,207	3,473	2,877
7	Finland	1,341	1,299	1,872	1,843	1,737	1,495	1,932	1,849	2,649[r]	2,504
8	France	31,808	41,411	39,704	32,243	38,426	42,010	43,137	41,962	43,138[r]	41,410
9	Germany	8,619	18,630	26,613	27,567	30,241	31,771	32,704	27,583	33,013	30,175
10	Greece	765	913	1,519	1,338	1,463	1,425	1,160	1,453	1,377	1,153
11	Italy	13,541	10,041	11,559	10,700	12,741	12,786	11,915	13,015	12,771[r]	11,537
12	Netherlands	7,161	7,365	16,031	17,532	17,083	17,686	16,330	18,496	18,708[r]	18,457
13	Norway	1,866	3,314	2,966	2,533	2,340	2,429	2,537	3,278	4,018	3,731
14	Portugal	2,184	2,465	3,366	3,131	3,170	3,131	4,061	2,853	2,920	2,865
15	Russia	241	577	2,511	2,208	2,017	1,971	3,041	4,016	4,497	4,593
16	Spain	11,391	9,793	20,493	19,650	18,119	19,621	18,319	17,482[r]	15,754	16,763
17	Sweden	2,222	2,953	2,572	2,301	2,528	1,451	2,532	3,443	4,043[r]	5,710
18	Switzerland	37,238	39,440	41,533	40,796	41,000	39,246	40,988	40,164	37,957	41,698
19	Turkey	1,598	2,666	3,227	3,119	3,241	2,922	2,972	2,759	3,250[r]	3,515
20	United Kingdom	100,292	111,805	133,763	130,801	148,139	150,652	154,563	159,841	163,283[r]	171,158
21	Yugoslavia[11]	622	504	570	549	428	414	407	424	434	230
22	Other Europe and other former U.S.S.R.[12]	12,741	29,256	33,172	35,304	33,294	33,097	31,596	27,562[r]	31,541[r]	34,586
23	Canada	21,605	22,420	20,227	20,588	23,200	21,430	22,552	25,948	25,455	26,625
24	Latin America and Caribbean	345,529	317,228	348,586	344,462	346,783	359,652	362,639	356,987[r]	378,743[r]	374,950
25	Argentina	7,753	9,477	14,477	14,485	14,435	14,017	13,267	13,474[r]	13,750[r]	14,592
26	Bahamas	100,622	82,284	72,964	71,547	72,430	77,457	80,843	79,265	85,809	87,264
27	Bermuda	3,178	7,079	7,824	7,741	6,697	6,183	7,621	8,110	8,975	10,055
28	Brazil	5,704	5,584	5,301	5,121	5,386	5,256	4,878	5,572[r]	5,708	6,259
29	British West Indies	163,620	153,033	181,844	178,184	176,774	189,293	193,645	187,187[r]	203,927[r]	197,817
30	Chile	3,283	3,035	3,183	3,551	3,726	3,573	3,830	3,286[r]	3,523	3,353
31	Colombia	4,661	4,580	3,171	3,714	3,363	3,427	4,002	3,865[r]	3,931	3,773
32	Cuba	2	3	33	34	30	38	9	11	11	12
33	Ecuador	1,232	993	880	888	858	822	844	842[r]	812	819
34	Guatemala	1,594	1,377	1,207	1,257	1,230	1,169	1,155	1,137[r]	1,143	1,206
35	Jamaica	231	371	410	387	421	419	495	526	475	518
36	Mexico	19,957	19,454	28,018	27,645	30,616	27,804	22,358	21,900[r]	21,286[r]	20,179
37	Netherlands Antilles	5,592	5,205	4,195	5,129	6,230	5,312	5,035	7,021	4,885	4,301
38	Panama	4,695	4,177	3,582	3,543	3,429	3,397	3,514	3,811[r]	3,861[r]	4,087
39	Peru	1,249	1,080	926	885	913	873	893	912[r]	930	916
40	Uruguay	2,096	1,955	1,611	1,723	1,534	1,578	1,522	1,547	1,583	1,406
41	Venezuela	13,181	11,387	12,786	12,445	12,598	12,968	12,307	12,013[r]	11,655[r]	11,984
42	Other	6,879	6,154	6,174	6,183	6,113	6,066	6,421	6,508[r]	6,479[r]	6,409
43	Asia	120,462	143,540	144,656	140,062	139,562	152,458	149,156	152,115[r]	148,728	151,387
	China										
44	People's Republic of China	2,626	3,202	4,011	4,075	4,565	5,294	6,058	5,358	6,152	5,017
45	Republic of China (Taiwan)	11,491	8,408	10,633	9,959	9,475	9,306	8,696	9,820[r]	8,375	8,811
46	Hong Kong	14,269	18,499	17,233	18,651	17,730	18,684	19,090	21,665[r]	19,108	18,767
47	India	2,418	1,399	1,114	1,435	1,127	1,658	1,450	1,521	2,136	1,695
48	Indonesia	1,463	1,480	1,986	1,807	1,659	2,345	1,802	1,537	2,002	1,766
49	Israel	2,015	3,773	4,435	4,137	4,628	4,580	4,134	3,460	3,762	3,822
50	Japan	47,069	58,435	61,483	58,606	60,112	66,403	62,274	63,031	64,114	65,680
51	Korea (South)	2,587	3,337	4,913	4,721	4,856	4,808	4,646	4,523	4,571	5,311
52	Philippines	2,449	2,275	2,035	1,907	1,820	2,542	2,616	2,590[r]	3,150	3,396
53	Thailand	2,252	5,582	6,137	6,156	5,838	5,985	5,550	5,788	4,851	5,222
54	Middle Eastern oil-exporting countries[13]	15,752	21,437	15,824	13,129	11,919	13,305	13,655	14,895	14,374[r]	14,932
55	Other	16,071	15,713	14,852	15,479	15,833	17,548	19,185	17,927[r]	16,133[r]	16,968
56	Africa	4,825	5,884	6,634	5,818	6,327	5,749	5,813	6,166	6,417	6,153
57	Egypt	1,621	2,472	2,208	1,959	2,058	1,659	1,688	1,984	1,999	1,706
58	Morocco	79	76	99	94	73	89	76	93	78	80
59	South Africa	228	190	451	214	294	285	331	230	290	289
60	Zaire	31	19	12	13	8	11	11	8	7	8
61	Oil-exporting countries[14]	1,082	1,346	1,303	1,186	1,433	1,139	983	1,057	1,204	1,291
62	Other	1,784	1,781	2,561	2,352	2,461	2,566	2,724	2,794	2,839	2,779
63	Other	5,567	4,167	4,192	4,965	3,901	4,689	6,436	5,909[r]	8,687[r]	7,587
64	Australia	4,464	3,043	3,308	3,807	2,511	3,006	2,991	2,796	5,804	6,288
65	Other	1,103	1,124	884	1,158	1,390	1,683	3,445	3,113[r]	2,883[r]	1,299
66	Nonmonetary international and regional organizations	8,981	9,350	10,935	11,318	7,299	8,086	5,912	8,363	8,630	7,318
67	International[15]	6,485	7,434	6,850	6,806	6,060	6,375	4,249	5,634	6,646	5,446
68	Latin American regional[16]	1,181	1,415	3,218	3,402	357	330	393	909	847	612
69	Other regional[17]	1,315	501	867	1,110	882	1,381	1,270	1,820	1,137	1,260

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1991	1992	1993	1994						
				Jan.	Feb.	Mar.	Apr.	May	June[r]	July[p]
1 **Total, all foreigners**	**514,339**	**499,437**	**483,135**	**470,964**	**477,605**	**475,077**	**476,334**	**472,627[r]**	**476,035**	**470,541**
2 **Foreign countries**	**508,056**	**494,355**	**480,730**	**467,810**	**476,011**	**473,157**	**475,150**	**470,901[r]**	**473,614**	**469,216**
3 Europe	114,310	123,377	121,033	114,312	124,643	129,838	124,818	123,622	119,624	122,828
4 Austria	327	331	413	720	598	489	420	486	416	470
5 Belgium and Luxembourg	6,158	6,404	6,535	5,169	6,327	6,775	6,774	6,391	7,115	6,905
6 Denmark	686	707	382	507	600	612	896	1,332	539	622
7 Finland	1,907	1,418	598	699	725	570	647	669	699	739
8 France	15,112	14,723	11,490	11,705	11,033	11,481	11,398	13,092	13,703	13,063
9 Germany	3,371	4,222	7,683	7,364	7,966	8,164	9,374	8,303	7,208	7,871
10 Greece	553	717	679	653	669	736	720	682	661	583
11 Italy	8,242	9,047	8,876	8,950	8,477	7,658	6,370	6,749	6,128	6,074
12 Netherlands	2,546	2,468	3,063	3,877	2,821	2,945	2,575	3,272	3,003	3,006
13 Norway	669	355	396	738	777	531	598	605	620	751
14 Portugal	344	325	720	805	918	936	846	835	876	1,035
15 Russia	1,970	3,147	2,295	2,142	2,005	1,961	1,862	1,642	1,605	1,541
16 Spain	1,881	2,755	2,763	3,299	2,688	2,666	1,859	2,828	2,502	1,905
17 Sweden	2,335	4,923	4,100	3,704	3,608	3,443	3,313	3,420	3,411	3,632
18 Switzerland	4,540	4,717	6,567	7,177	4,535	8,606	5,578	6,487	6,674	9,028
19 Turkey	1,063	962	1,287	1,118	1,565	1,559	1,546	1,324	1,210	1,207
20 United Kingdom	60,395	63,430	60,928	53,142	66,977	68,275	67,442	63,227	61,157	62,428
21 Yugoslavia[2]	825	569	536	470	414	376	364	361	340	274
22 Other Europe and other former U.S.S.R.[3]	1,386	2,157	1,722	2,073	1,940	2,055	2,236	1,917	1,757	1,694
23 Canada	15,113	13,845	18,408	19,103	16,864	16,989	17,920	17,109	20,346	19,799
24 Latin America and Caribbean	246,137	218,078	223,977	226,236	226,467	220,298	219,983	219,593	221,873	217,762
25 Argentina	5,869	4,958	4,425	4,569	4,459	4,662	5,161	5,173	5,501	5,806
26 Bahamas	87,138	60,835	65,045	66,411	65,439	66,022	66,239	64,974	64,078	67,947
27 Bermuda	2,270	5,935	8,032	10,234	9,969	8,342	8,837	6,591	6,276	5,689
28 Brazil	11,894	10,773	11,803	12,719	13,005	12,924	11,457	11,985	11,346	10,642
29 British West Indies	107,846	101,507	97,930	94,355	95,230	92,252	91,700	94,150	98,005	91,435
30 Chile	2,805	3,397	3,614	3,546	3,763	3,640	3,455	3,353	3,419	3,293
31 Colombia	2,425	2,750	3,179	3,241	3,053	3,057	3,263	3,229	3,366	3,326
32 Cuba	0	0	0	0	2	0	0	0	0	8
33 Ecuador	1,053	884	673	679	722	703	679	677	707	679
34 Guatemala	228	262	286	316	294	289	273	291	312	308
35 Jamaica	158	162	195	180	176	163	191	198	194	186
36 Mexico	16,567	14,991	15,843	16,516	16,902	16,210	16,300	16,456	16,768	16,649
37 Netherlands Antilles	1,207	1,379	2,367	3,115	3,093	2,411	2,769	2,871	2,366	2,132
38 Panama	1,560	4,654	2,913	2,843	2,983	2,491	2,539	2,341	2,219	2,346
39 Peru	739	730	651	693	726	751	807	901	908	924
40 Uruguay	599	936	951	793	742	532	500	540	608	750
41 Venezuela	2,516	2,525	2,904	2,763	2,709	2,662	2,532	2,462	2,461	2,267
42 Other	1,263	1,400	3,166	3,263	3,200	3,187	3,281	3,401	3,339	3,375
43 Asia	125,262	131,789	110,684	101,551	101,661	99,013	105,412	103,874[r]	104,719	102,258
China										
44 People's Republic of China	747	906	2,299	881	842	796	843	802	784	941
45 Republic of China (Taiwan)	2,087	2,046	2,628	2,611	1,487	2,162	1,817	2,024	1,948	1,786
46 Hong Kong	9,617	9,642	10,864	10,224	9,990	11,666	9,903	8,996	9,783	10,031
47 India	441	529	589	638	664	737	684	738	784	791
48 Indonesia	952	1,189	1,522	1,595	1,571	1,647	1,545	1,378	1,319	1,369
49 Israel	860	820	826	947	798	664	676	711	668	635
50 Japan	84,807	79,172	59,576	54,164	54,583	49,771	54,931	53,120	55,371	53,218
51 Korea (South)	6,048	6,179	7,556	7,373	7,518	7,502	7,457	7,410	7,984	8,112
52 Philippines	1,910	2,145	1,408	1,132	1,183	1,307	925	914	654	514
53 Thailand	1,713	1,867	2,154	2,481	2,649	2,764	2,744	2,944[r]	2,979	2,839
54 Middle Eastern oil-exporting countries[4]	8,284	18,540	14,398	12,903	13,190	14,153	16,387	18,323	16,598	16,342
55 Other	7,796	8,754	6,864	6,602	7,186	5,844	7,500	6,514	5,847	5,680
56 Africa	4,928	4,279	3,819	3,751	3,775	3,698	3,680	3,692	3,795	3,464
57 Egypt	294	186	196	203	227	205	206	219	281	234
58 Morocco	575	441	444	489	521	518	472	470	518	479
59 South Africa	1,235	1,041	633	581	558	565	557	575	556	492
60 Zaire	4	4	4	4	6	4	5	5	4	3
61 Oil-exporting countries[5]	1,298	1,002	1,128	1,169	1,197	1,210	1,207	1,211	1,239	1,194
62 Other	1,522	1,605	1,414	1,305	1,266	1,196	1,233	1,212	1,197	1,062
63 Other	2,306	2,987	2,809	2,857	2,601	3,321	3,337	3,011	3,257	3,105
64 Australia	1,665	2,243	2,072	2,030	1,692	1,685	1,859	1,369	1,489	1,587
65 Other	641	744	737	827	909	1,636	1,478	1,642	1,768	1,518
66 Nonmonetary international and regional organizations[6]	6,283	5,082	2,405	3,154	1,594	1,920	1,184	1,726	2,421	1,325

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1991	1992	1993	1994						
				Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July[p]
1 **Total**	**579,683**	**559,495**	**523,545**	...	...	**522,879**	...	...	**525,244**	...
2 Banks' claims	514,339	499,437	483,135	470,964	477,605	475,077	476,334	472,627	476,035	470,541
3 Foreign public borrowers	37,126	31,367	28,814	30,718	26,554	25,772	25,116	22,560	21,691	21,630
4 Own foreign offices[2]	318,800	303,991	286,819	275,549	273,763	280,898	280,435	284,532	289,442	285,815
5 Unaffiliated foreign banks	116,602	109,342	98,012	91,129	97,871	94,809	96,903	98,186	101,370	100,533
6 Deposits	69,018	61,550	46,885	40,664	45,813	44,177	47,971	50,323	50,550	50,574
7 Other	47,584	47,792	51,127	50,465	52,058	50,632	48,932	47,863	50,820	49,959
8 All other foreigners	41,811	54,737	69,490	73,568	79,417	73,598	73,880	67,349	63,532	62,563
9 *Claims of banks' domestic customers*[3]	65,344	60,058	40,410	...	...	47,802	...	...	49,209	...
10 Deposits	15,280	15,452	9,619	...	...	14,022	...	...	12,579	...
11 Negotiable and readily transferable instruments[4]	37,125	31,474	17,155	...	...	20,340	...	...	23,031	...
12 Outstanding collections and other claims	12,939	13,132	13,636	...	...	13,440	...	...	13,599	...
MEMO										
13 *Customer liability on acceptances*	8,974	8,655	7,871	...	...	7,570	...	...	8,031	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	43,024	36,213	22,724	21,622	21,294	21,931	21,873[r]	20,600	20,342	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution, as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit 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 *Federal Reserve Bulletin*, vol. 65 (July 1979), p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1990	1991	1992	1993		1994	
				Sept.	Dec.	Mar.	June[p]
1 **Total**	**206,903**	**195,302**	**195,119**	**189,470**	**194,776**	**193,309**	**185,619**
By borrower							
2 Maturity of one year or less	165,985	162,573	163,325	161,925	166,226	166,443	160,050
3 Foreign public borrowers	19,305	21,050	17,813	21,211	17,447	15,904	12,644
4 All other foreigners	146,680	141,523	145,512	140,714	148,779	150,539	147,406
5 Maturity of more than one year	40,918	32,729	31,794	27,545	28,550	26,866	25,569
6 Foreign public borrowers	22,269	15,859	13,266	10,341	10,828	9,576	8,638
7 All other foreigners	18,649	16,870	18,528	17,204	17,722	17,290	16,931
By area							
Maturity of one year or less							
8 Europe	49,184	51,835	53,300	57,240	56,299	58,856	50,828
9 Canada	5,450	6,444	6,091	9,816	7,540	7,291	8,065
10 Latin America and Caribbean	49,782	43,597	50,376	51,559	56,622	58,717	56,531
11 Asia	53,258	51,059	45,709	37,619	40,274	35,987	38,189
12 Africa	3,040	2,549	1,784	1,916	1,783	1,611	1,805
13 All other[3]	5,272	7,089	6,065	3,775	3,708	3,981	4,632
Maturity of more than one year							
14 Europe	3,859	3,878	5,367	4,433	4,327	3,822	3,316
15 Canada	3,290	3,595	3,287	2,549	2,553	2,548	2,491
16 Latin America and Caribbean	25,774	18,277	15,312	13,353	13,877	13,341	12,683
17 Asia	5,165	4,459	5,038	4,732	5,412	4,705	4,795
18 Africa	2,374	2,335	2,380	2,049	1,934	2,001	1,849
19 All other[3]	456	185	410	429	447	449	435

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Maturity is time remaining to maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1990	1991	1992			1993				1994	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June[p]
1 **Total**	**320.1**	**343.6**	**358.7**	**344.5**	**346.5**	**361.0**	**377.0**	**388.3**	**403.7**	**492.7**	**496.9**
2 G-10 countries and Switzerland	132.2	137.6	135.6	136.0	132.9	142.4	150.0	153.3	161.0	178.1	182.7
3 Belgium and Luxembourg	.0	6.0	6.2	6.2	5.6	6.1	7.0	7.1	7.4	7.9	8.6
4 France	10.4	11.0	11.9	15.3	15.3	13.5	14.0	12.3	11.7	16.4	18.5
5 Germany	10.6	8.3	8.8	10.9	9.3	9.9	10.8	12.4	12.6	28.7	24.3
6 Italy	5.0	5.6	8.0	6.4	6.5	6.7	7.9	8.7	7.6	15.5	14.0
7 Netherlands	.0	4.7	3.3	3.7	2.8	3.6	3.7	3.7	4.7	4.1	3.6
8 Sweden	2.2	1.9	1.9	2.2	2.3	3.0	2.5	2.5	2.5	2.8	2.9
9 Switzerland	4.4	3.4	4.6	5.2	4.8	5.3	4.7	5.6	5.9	6.3	6.5
10 United Kingdom	60.9	68.5	65.6	61.0	60.8	65.7	73.5	74.7	84.5	69.9	76.1
11 Canada	5.9	5.8	6.5	6.3	6.3	8.2	8.0	9.7	6.6	7.6	9.4
12 Japan	24.0	22.6	18.7	18.9	19.3	20.4	17.9	16.8	17.4	18.8	18.8
13 Other industrialized countries	22.9	22.8	25.5	25.0	24.0	25.4	27.2	26.0	24.6	41.2	43.3
14 Austria	1.4	.6	.8	.7	1.2	1.2	1.3	.6	.4	1.0	1.0
15 Denmark	1.1	.9	1.3	1.5	.9	.8	1.0	1.1	1.0	1.1	1.1
16 Finland	.7	.7	.8	1.0	.7	.7	.9	.6	.4	1.0	.9
17 Greece	2.7	2.6	2.8	3.0	3.0	2.7	3.1	3.2	3.2	3.8	4.6
18 Norway	1.6	1.4	1.7	1.6	1.2	1.8	1.8	2.1	1.7	1.6	1.6
19 Portugal	.6	.6	.5	.5	.4	.7	.9	1.0	.8	1.2	1.1
20 Spain	8.3	8.3	10.1	9.7	8.9	9.5	10.5	9.3	8.9	12.3	13.2
21 Turkey	1.7	1.4	1.5	1.5	1.3	1.4	2.1	2.1	2.1	2.4	2.1
22 Other Western Europe	1.2	1.8	2.0	1.5	1.7	2.0	1.7	2.2	2.6	3.0	2.8
23 South Africa	1.8	1.9	1.7	1.7	1.7	1.6	1.3	1.2	1.1	1.2	1.2
24 Australia	1.8	2.7	2.2	2.3	2.9	2.9	2.5	2.8	2.3	12.7	13.7
25 OPEC[2]	12.8	14.5	16.2	15.9	16.1	16.6	15.7	14.8	16.7	22.1	21.6
26 Ecuador	1.0	.7	.7	.7	.6	.6	.6	.5	.5	.5	.5
27 Venezuela	5.0	5.4	5.3	5.4	5.2	5.1	5.5	5.4	5.1	4.7	4.5
28 Indonesia	2.7	2.7	3.0	3.0	3.0	3.1	3.1	2.8	3.2	3.0	3.2
29 Middle East countries	2.5	4.2	5.9	5.4	6.2	6.6	5.4	4.9	6.7	12.8	12.4
30 African countries	1.7	1.5	1.4	1.4	1.1	1.1	1.1	1.1	1.2	1.0	1.1
31 Non-OPEC developing countries	65.4	63.9	68.1	72.8	72.1	74.4	76.6	77.0	82.5	93.9	94.5
Latin America											
32 Argentina	5.0	4.8	5.1	6.2	6.6	7.0	6.6	7.2	7.7	8.7	9.8
33 Brazil	14.4	9.6	10.6	10.8	10.8	11.6	12.3	11.7	12.0	12.5	11.8
34 Chile	3.5	3.6	4.0	4.2	4.4	4.6	4.6	4.7	4.7	5.1	5.1
35 Colombia	1.8	1.7	1.6	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.4
36 Mexico	13.0	15.5	16.3	17.1	16.0	16.8	16.8	17.5	17.7	18.7	18.3
37 Peru	.5	.4	.4	.5	.5	.4	.4	.3	.4	.5	.6
38 Other	2.3	2.1	2.2	2.5	2.6	2.6	2.7	2.6	3.0	2.6	2.7
Asia											
China											
39 Peoples Republic of China	.2	.3	.3	.3	.7	.6	1.6	.5	2.0	.8	.7
40 Republic of China (Taiwan)	3.5	4.1	4.6	5.0	5.2	5.3	5.9	6.4	7.3	7.5	7.1
41 India	3.3	3.0	3.8	3.6	3.2	3.1	3.1	2.9	3.2	4.1	3.7
42 Israel	.5	.5	.4	.4	.4	.5	.4	.4	.5	.4	.4
43 Korea (South)	6.2	6.8	6.9	7.4	6.6	6.5	6.9	6.5	6.7	13.9	14.7
44 Malaysia	1.9	2.3	2.7	3.0	3.1	3.4	3.7	4.1	4.4	5.2	5.2
45 Philippines	3.8	3.7	3.1	3.6	3.6	3.4	2.9	2.6	3.1	3.4	3.2
46 Thailand	1.5	1.7	1.9	2.2	2.2	2.2	2.4	2.8	3.1	2.9	3.3
47 Other Asia	1.7	2.0	2.5	2.7	2.7	2.7	2.6	3.0	2.9	3.1	3.5
Africa											
48 Egypt	.4	.4	.5	.3	.2	.2	.2	.2	.4	.4	.5
49 Morocco	.8	.7	.7	.6	.6	.5	.6	.6	.6	.7	.7
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	1.0	.7	.6	.9	1.0	.8	.9	.8	.8	1.0	.9
52 Eastern Europe	2.3	2.4	3.0	3.1	3.1	2.9	3.2	3.0	3.0	3.3	3.1
53 Russia[4]	.2	.9	1.7	1.8	1.9	1.7	1.9	1.7	1.6	1.5	1.2
54 Yugoslavia[5]	1.2	.9	.7	.7	.6	.6	.6	.6	.6	.5	.5
55 Other	.9	.7	.6	.7	.6	.7	.7	.7	.9	1.4	1.5
56 Offshore banking centers	44.7	54.2	61.4	54.5	58.3	60.2	58.0	67.9	72.5	80.3	76.8
57 Bahamas	2.9	11.9	12.9	8.9	6.9	9.7	7.1	12.7	12.6	15.4	13.5
58 Bermuda	4.4	2.3	5.1	3.8	6.2	4.1	4.5	5.5	8.1	8.4	6.1
59 Cayman Islands and other British West Indies	11.7	15.8	19.3	16.9	21.8	17.6	15.6	15.1	16.9	17.2	20.3
60 Netherlands Antilles	7.9	1.2	.8	.7	1.1	1.6	2.5	2.8	2.3	2.7	2.4
61 Panama[6]	1.4	1.4	1.9	2.0	1.9	2.0	2.1	2.1	2.4	2.0	1.9
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	9.7	14.4	14.9	15.2	13.8	16.7	16.9	19.1	18.7	21.7	21.8
64 Singapore	6.6	7.1	6.4	6.8	6.5	8.4	9.3	10.4	11.2	12.7	10.6
65 Other[7]	.0	.0	.0	.0	.0	.0	.0	.0	.1	.0	.0
66 Miscellaneous and unallocated[8]	39.9	48.0	48.6	36.8	39.7	38.8	46.2	46.3	43.3	73.6	74.5

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia. Beginning March 1994 includes Namibia.

4. As of December 1992, excludes other republics of the former Soviet Union.

5. As of December 1992, excludes Croatia, Bosnia and Hercegovinia, and Slovenia.

6. Includes Canal Zone.

7. Foreign branch claims only.

8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type of liability and area or country	1990	1991	1992	1992	1993				1994
					Dec.	Mar.	June	Sept.	Dec.	Mar.
1	**Total**	**46,043**	**44,708**	**44,979**	**44,979**	**45,832**	**46,155**	**48,184**	**48,596**	**51,680r**
2	Payable in dollars	40,786	39,029	37,250	37,250	37,870	37,002	39,286	37,857	37,842r
3	Payable in foreign currencies	5,257	5,679	7,729	7,729	7,962	9,153	8,898	10,739	13,838r
	By type									
4	Financial liabilities	21,066	22,518	23,098	23,098	23,670	24,497	26,161	27,507	30,111r
5	Payable in dollars	16,979	18,104	16,754	16,754	17,152	16,910	18,680	18,152	18,492r
6	Payable in foreign currencies	4,087	4,414	6,344	6,344	6,518	7,587	7,481	9,355	11,619r
7	Commercial liabilities	24,977	22,190	21,881	21,881	22,162	21,658	22,023	21,089	21,569r
8	Trade payables	10,683	9,252	9,777	9,777	9,915	9,614	9,456	9,007	9,568r
9	Advance receipts and other liabilities	14,294	12,938	12,104	12,104	12,247	12,044	12,567	12,082	12,001
10	Payable in dollars	23,807	20,925	20,496	20,496	20,718	20,092	20,606	19,705	19,350r
11	Payable in foreign currencies	1,170	1,265	1,385	1,385	1,444	1,566	1,417	1,384	2,219r
	By area or country									
	Financial liabilities									
12	Europe	10,978	12,003	13,128	13,128	13,488	14,120	16,366	17,884	20,293r
13	Belgium and Luxembourg	394	216	414	414	306	268	278	175	525
14	France	975	2,106	1,623	1,623	1,625	2,216	2,074	2,323	2,589r
15	Germany	621	682	810	810	820	787	779	902	1,214r
16	Netherlands	1,081	1,056	606	606	639	585	573	534	564
17	Switzerland	545	408	569	569	503	491	378	634	1,200
18	United Kingdom	6,357	6,528	8,430	8,430	9,035	9,118	11,694	12,712	13,278r
19	Canada	229	292	544	544	604	492	663	859	508
20	Latin America and Caribbean	4,153	4,784	4,053	4,053	4,299	4,199	3,719	3,359	3,553
21	Bahamas	371	537	369	369	521	426	1,301	1,148	1,157
22	Bermuda	0	114	114	114	114	124	114	0	120
23	Brazil	0	6	19	19	18	18	18	18	18
24	British West Indies	3,160	3,524	2,860	2,860	2,970	2,951	1,600	1,533	1,613
25	Mexico	5	7	12	12	13	11	15	17	14
26	Venezuela	4	4	6	6	5	5	5	5	5
27	Asia	5,295	5,381	5,334	5,334	5,213	5,516	5,263	5,243	5,601r
28	Japan	4,065	4,116	4,266	4,266	4,202	4,334	4,234	4,174	4,549r
29	Middle East oil-exporting countries[2]	5	13	19	19	24	19	23	23	24
30	Africa	2	6	6	6	6	130	132	133	133
31	Oil-exporting countries[3]	0	4	0	0	0	123	124	123	124
32	All other[4]	409	52	33	33	60	40	18	29	23
	Commercial liabilities									
33	Europe	10,310	8,701	7,398	7,398	6,992	6,807	7,051	6,825	6,603r
34	Belgium and Luxembourg	275	248	298	298	264	269	257	240	253
35	France	1,218	1,039	700	700	707	775	643	648	521
36	Germany	1,270	1,052	729	729	650	603	571	684	563
37	Netherlands	844	710	535	535	537	577	601	687	627
38	Switzerland	775	575	350	350	472	441	536	375	500
39	United Kingdom	2,792	2,297	2,505	2,505	2,119	2,186	2,319	2,051	2,143r
40	Canada	1,261	1,014	1,002	1,002	1,005	942	847	883	1,039
41	Latin America and Caribbean	1,672	1,355	1,533	1,533	1,776	1,828	1,759	1,661	1,907
42	Bahamas	12	3	3	3	11	6	4	21	8
43	Bermuda	538	310	307	307	429	356	340	348	493
44	Brazil	145	219	209	209	236	226	214	216	211
45	British West Indies	30	107	33	33	34	16	36	26	19
46	Mexico	475	307	457	457	553	659	577	485	557
47	Venezuela	130	94	142	142	171	172	173	126	150
48	Asia	9,483	9,334	10,805	10,805	10,988	10,764	11,146	10,665	10,797r
49	Japan	3,651	3,721	3,823	3,823	3,940	3,634	3,956	4,158	4,548
50	Middle Eastern oil-exporting countries[2,5]	2,016	1,498	1,889	1,889	1,796	1,815	1,968	1,525	1,535
51	Africa	844	715	568	568	675	665	641	463	489
52	Oil-exporting countries[3]	422	327	309	309	322	378	320	171	199
53	Other[4]	1,406	1,071	575	575	726	652	579	592	734

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), 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	1990	1991	1992	1992	1993				1994
					Dec.	Mar.	June	Sept.	Dec.	Mar.
1	**Total**	**35,348**	**45,262**	**42,312**	**42,312**	**46,442**	**42,203**	**42,781**	**43,115**	**43,020[r]**
2	Payable in dollars	32,760	42,564	39,526	39,526	43,337	38,850	39,333	39,805	39,614[r]
3	Payable in foreign currencies	2,589	2,698	2,786	2,786	3,105	3,353	3,448	3,310	3,406[r]
	By type									
4	Financial claims	19,874	27,882	23,779	23,779	26,436	22,243	23,753	23,191	23,264[r]
5	Deposits	13,577	20,080	15,136	15,136	16,576	11,758	13,361	13,049	13,767[r]
6	Payable in dollars	12,552	19,080	14,313	14,313	15,461	10,799	12,366	12,215	12,868[r]
7	Payable in foreign currencies	1,025	1,000	823	823	1,115	959	995	834	899
8	Other financial claims	6,297	7,802	8,643	8,643	9,860	10,485	10,392	10,142	9,497[r]
9	Payable in dollars	5,280	6,910	7,724	7,724	8,939	9,373	9,472	9,150	8,433[r]
10	Payable in foreign currencies	1,017	892	919	919	921	1,112	920	992	1,064
11	Commercial claims	15,475	17,380	18,533	18,533	20,006	19,960	19,028	19,924	19,756[r]
12	Trade receivables	13,657	14,468	15,976	15,976	17,652	17,477	16,050	16,980	16,918[r]
13	Advance payments and other claims	1,817	2,912	2,557	2,557	2,354	2,483	2,978	2,944	2,838
14	Payable in dollars	14,927	16,574	17,489	17,489	18,937	18,678	17,495	18,440	18,313[r]
15	Payable in foreign currencies	548	806	1,044	1,044	1,069	1,282	1,533	1,484	1,443[r]
	By area or country									
	Financial claims									
16	Europe	9,645	13,441	9,315	9,315	10,382	9,715	8,371	8,042	7,347
17	Belgium and Luxembourg	76	13	8	8	67	74	70	131	122
18	France	371	269	764	764	905	781	708	749	753
19	Germany	367	283	326	326	388	383	362	472	441
20	Netherlands	265	334	515	515	544	499	485	483	503
21	Switzerland	357	581	490	490	478	494	512	506	520
22	United Kingdom	7,971	11,534	6,236	6,236	6,968	6,550	5,227	4,538	3,916
23	Canada	2,934	2,642	1,714	1,714	2,011	1,795	1,617	1,851	2,534
24	Latin America and Caribbean	6,201	10,717	11,302	11,302	9,926	6,976	10,306	10,943	10,295[r]
25	Bahamas	1,090	827	658	658	320	742	550	496	481
26	Bermuda	3	8	40	40	79	258	197	125	34
27	Brazil	68	351	686	686	592	590	590	599	567
28	British West Indies	4,635	9,056	9,297	9,297	8,310	4,692	8,134	8,645	8,071[r]
29	Mexico	177	212	435	435	399	455	543	634	782[r]
30	Venezuela	25	40	29	29	23	24	25	161	26
31	Asia	860	640	864	864	3,362	3,015	2,755	1,779	2,633[r]
32	Japan	523	350	668	668	3,123	2,485	2,215	1,063	1,769
33	Middle East oil-exporting countries[2]	8	5	3	3	3	10	5	3	5
34	Africa	37	57	79	79	128	125	88	99	76
35	Oil-exporting countries[3]	0	1	9	9	1	1	1	1	0
36	All other[4]	195	385	505	505	627	617	616	477	379
	Commercial claims									
37	Europe	7,044	8,193	8,444	8,444	8,905	9,044	8,177	8,809	8,305[r]
38	Belgium and Luxembourg	212	194	189	189	170	173	163	183	172[r]
39	France	1,240	1,585	1,537	1,537	1,492	1,504	1,429	1,932	1,820
40	Germany	807	955	933	933	1,025	1,042	934	997	930[r]
41	Netherlands	555	645	552	552	734	565	408	415	351
42	Switzerland	301	295	362	362	437	442	376	424	403[r]
43	United Kingdom	1,775	2,086	2,094	2,094	2,360	2,554	2,287	2,239	2,148[r]
44	Canada	1,074	1,121	1,281	1,281	1,329	1,356	1,357	1,350	1,449[r]
45	Latin America and Caribbean	2,375	2,655	3,043	3,043	3,473	3,454	3,063	3,196	3,489[r]
46	Bahamas	14	13	28	28	18	17	20	11	11
47	Bermuda	246	264	255	255	195	239	225	173	222[r]
48	Brazil	326	427	357	357	836	788	407	460	408[r]
49	British West Indies	40	41	40	40	17	43	39	70	58
50	Mexico	661	842	924	924	997	911	858	936	971[r]
51	Venezuela	192	203	345	345	349	317	286	295	310[r]
52	Asia	4,127	4,591	4,847	4,847	5,419	5,178	5,505	5,587	5,585[r]
53	Japan	1,460	1,899	1,900	1,900	2,158	1,858	2,502	2,126	2,298[r]
54	Middle Eastern oil-exporting countries[2]	460	620	693	693	773	673	456	656	620[r]
55	Africa	488	430	554	554	463	515	493	492	497[r]
56	Oil-exporting countries[3]	67	95	78	78	75	98	107	71	90
57	Other[4]	367	390	364	364	417	413	433	490	431[r]

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), 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

Transaction and area or country	1992	1993	1994 Jan.–July	1994 Jan.	Feb.	Mar.	Apr.	May	June[r]	July[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	221,367	319,449	212,195	32,238	34,428	36,340	29,851	26,687	28,336	24,315
2 Foreign sales	226,503	297,913	209,073	28,965	30,709	37,079	31,653	25,111	30,249	25,307
3 **Net purchases or sales (−)**	**−5,136**	**21,536**	**3,122**	**3,273**	**3,719**	**−739**	**−1,802**	**1,576**	**−1,913**	**−992**
4 **Foreign countries**	**−5,169**	**21,264**	**3,181**	**3,273**	**3,786**	**−737**	**−1,800**	**1,559**	**−1,904**	**−996**
5 Europe	−4,927	10,615	8,062	2,951	3,447	379	802	1,209	−389	−337
6 France	−1,350	−103	−460	119	190	−587	−83	210	−241	−68
7 Germany	−80	1,647	2,769	1,170	440	332	252	398	119	58
8 Netherlands	−262	−603	918	169	210	−155	82	176	83	353
9 Switzerland	168	2,986	1,199	254	505	79	173	30	73	85
10 United Kingdom	−3,301	4,510	1,419	614	1,215	389	230	172	−324	−877
11 Canada	1,407	−3,213	−539	314	−284	−59	290	156	−531	−425
12 Latin America and Caribbean	2,203	5,709	−1,553	948	910	−31	−1,862	−207	−839	−472
13 Middle East[1]	−88	−311	−204	−100	−17	64	4	49	−111	−93
14 Other Asia	−3,943	8,199	−3,161	−911	−379	−1,295	−1,191	476	−143	282
15 Japan	−3,598	3,826	−960	−800	−447	−117	−658	335	171	556
16 Africa	10	63	37	10	−17	13	33	−1	6	−7
17 Other countries	169	202	539	61	126	192	124	−123	103	56
18 **Nonmonetary international and regional organizations**	**33**	**272**	**−59**	**0**	**−67**	**−2**	**−2**	**17**	**−9**	**4**
BONDS[2]										
19 Foreign purchases	214,922	283,725	189,212	24,607	22,271	30,607	29,756	24,951[r]	31,789	25,231
20 Foreign sales	175,842	217,481	150,689	19,418	18,263	25,147	27,407	20,848	21,123	18,483
21 **Net purchases or sales (−)**	**39,080**	**66,244**	**38,523**	**5,189**	**4,008**	**5,460**	**2,349**	**4,103[r]**	**10,666**	**6,748**
22 **Foreign countries**	**37,964**	**65,706**	**37,861**	**5,205**	**3,977**	**5,373**	**2,364**	**4,041[r]**	**10,538**	**6,363**
23 Europe	17,435	22,055	20,359	2,742	2,764	2,870	412	528[r]	6,031	5,012
24 France	1,203	2,346	274	53	−57	32	181	−3	47	21
25 Germany	2,480	883	−132	−101	90	−64	83	−244	52	52
26 Netherlands	540	−290	1,975	75	99	330	216	358	868	29
27 Switzerland	−579	−627	329	176	57	131	−123	136	144	−192
28 United Kingdom	12,421	19,158	19,699	1,676	2,799	3,259	556	894[r]	5,624	4,891
29 Canada	237	1,653	1,300	23	−141	101	−16	286	422	625
30 Latin America and Caribbean	9,300	16,493	7,057	1,638	909	1,850	873	762	1,553	−528
31 Middle East[1]	3,166	3,257	891	161	−83	59	7	33	339	375
32 Other Asia	7,545	20,826	7,700	670	480	417	903	2,287	2,177	766
33 Japan	−450	11,569	3,785	−95	37	−363	523	1,575	1,396	712
34 Africa	354	1,149	0	−51	10	−10	55	10	9	−23
35 Other countries	−73	273	554	22	38	86	130	135	7	136
36 **Nonmonetary international and regional organizations**	**1,116**	**538**	**662**	**−16**	**31**	**87**	**−15**	**62**	**128**	**385**
	Foreign securities									
37 Stocks, net purchases or sales (−)[3]	−32,259	−63,320	−33,668	−5,860	−6,248	−6,457	−1,237	−4,025[r]	−6,707	−3,134
38 Foreign purchases	150,051	246,011	232,214	32,432	38,374	37,032	33,079	30,934[r]	31,086	29,277
39 Foreign sales[3]	182,310	309,331	265,882	38,292	44,622	43,489	34,316	34,959[r]	37,793	32,411
40 Bonds, net purchases or sales (−)	−15,605	−61,023	−15,565	−9,483	−4,532	6,139	−5,454	−168[r]	−684	−1,383
41 Foreign purchases	513,589	839,118	549,028	84,223	85,903	118,931	68,164	63,036[r]	69,370	59,401
42 Foreign sales	529,194	900,141	564,593	93,706	90,435	112,792	73,618	63,204[r]	70,054	60,784
43 **Net purchases or sales (−), of stocks and bonds**	**−47,864**	**−124,343**	**−49,233**	**−15,343**	**−10,780**	**−318**	**−6,691**	**−4,193[r]**	**−7,391**	**−4,517**
44 **Foreign countries**	**−51,274**	**−124,504**	**−49,539**	**−15,386**	**−10,648**	**−295**	**−6,647**	**−4,480[r]**	**−7,384**	**−4,699**
45 Europe	−31,350	−81,175	−1,599	−5,512	−3,568	8,122	−7	−1,569[r]	3,341	−2,406
46 Canada	−6,893	−14,649	−7,025	−2,741	−2,192	619	−316	436[r]	−789	−2,042
47 Latin America and Caribbean	−4,340	−9,549	−21,252	−3,124	−327	−2,852	−6,602	−2,161	−5,089	−1,097
48 Asia	−7,923	−15,044	−17,777	−3,171	−4,449	−6,598	565	−527	−4,371	774
49 Africa	−13	−185	−209	−60	18	−118	−28	−4	−46	29
50 Other countries	−755	−3,902	−1,677	−778	−130	532	−259	−655	−430	43
51 **Nonmonetary international and regional organizations**	**3,410**	**161**	**306**	**43**	**−132**	**−23**	**−44**	**287**	**−7**	**182**

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. In a July 1989 merger, the former stockholders of a U.S. company received $5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1992	1993	1994 Jan.–July	1994 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total**	**39,288**	**24,355**	**16,457**	**1,853**	**12,995**	**–1,318**	**–13,607**	**19,727**	**–5,358[r]**	**2,165**
2 Foreign countries	37,935	24,159	17,419	1,592	12,884	–1,446	–12,879	19,676	–4,906[r]	2,498
3 Europe	19,625	–2,712	11,858	114	3,552	2,281	–5,356	8,629	–2,707[r]	5,345
4 Belgium and Luxembourg	1,985	1,218	58	–63	128	269	–175	147	–170	–78
5 Germany	2,076	–10,033	3,214	2,327	–1,055	–729	–465	2,279	143	714
6 Netherlands	–2,959	–515	387	52	418	–971	187	21	560	120
7 Sweden	–804	1,421	612	–4	229	34	–154	150	257	100
8 Switzerland	488	–1,511	1,787	313	555	1,385	3	–211	158	–416
9 United Kingdom	24,184	6,055	1,908	–1,888	2,455	688	–3,910	4,812	–5,562	5,313
10 Other Europe and former U.S.S.R.	–5,345	653	3,892	–623	822	1,605	–842	1,431	1,907[r]	–408
11 Canada	562	11,252	1,919	32	168	357	–1,662	98	–11	2,937
12 Latin America and Caribbean	–3,222	–4,651	–15,245	3,677	7,512	–3,428	–6,002	–2,652	–7,080[r]	–7,272
13 Venezuela	539	389	–297	–358	235	93	–146	–130	–9	18
14 Other Latin America and Caribbean	–1,956	–5,884	–22,252	3,118	2,860	–4,204	–6,911	–2,708	–6,744[r]	–7,663
15 Netherlands Antilles	–1,805	844	7,304	917	4,417	683	1,055	186	–327	373
16 Asia	23,517	20,939	20,621	–2,152	1,191	151	403	13,378	5,128	2,522
17 Japan	9,817	17,073	13,885	–3,074	–1,403	2,914	2,976	8,185	5,099	–812
18 Africa	1,103	1,156	–222	–135	–120	–18	59	–29	16	5
19 Other	–3,650	–1,825	–1,512	56	581	–789	–321	252	–252	–1,039
20 Nonmonetary international and regional organizations	1,353	196	–962	261	111	128	–728	51	–452	–333
21 International	1,018	–310	–845	455	1	173	–724	70	–395	–425
22 Latin American regional	533	654	73	7	116	–37	21	–111	54	23
MEMO										
23 Foreign countries	37,935	24,159	17,419	1,592	12,884	–1,446	–12,879	19,676	–4,906[r]	2,498
24 Official institutions	6,876	1,238	21,423	4,284	4,045	–5,051	–640	11,253	2,674[r]	4,858
25 *Other foreign*[2]	31,059	22,921	–4,004	–2,692	8,839	3,605	–12,239	8,423	–7,580	–2,360
Oil-exporting countries										
26 Middle East[2]	4,317	–8,543	–1,174	–1,518	900	33	144	–250	–495	12
27 Africa[3]	11	–5	0	0	0	0	0	0	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Sept. 30, 1994		Country	Rate on Sept. 30, 1994		Country	Rate on Sept. 30, 1994	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	4.5	May 1994	Germany	4.5	May 1994	Norway	4.75	Feb. 1994
Belgium	4.5	May 1994	Italy	7.5	Aug. 1994	Switzerland	3.5	Apr. 1994
Canada	5.54	Sept. 1994	Japan	1.75	Sept. 1993	United Kingdom	12.0	Sept. 1992
Denmark	5.0	May 1994	Netherlands	4.5	May 1994			
France[2]	5.0	July 1994						

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1991	1992	1993	1994						
				Mar.	Apr.	May	June	July	Aug.	Sept.
1 Eurodollars	5.86	3.70	3.18	3.75	4.00	4.51	4.51	4.74	4.80	5.01
2 United Kingdom	11.47	9.56	5.88	5.12	5.14	5.13	5.13	5.15	5.47	5.65
3 Canada	9.07	6.76	5.14	4.45	6.07	6.38	6.50	6.28	5.71	5.61
4 Germany	9.15	9.42	7.17	5.73	5.48	5.07	4.95	4.86	4.89	4.95
5 Switzerland	8.01	7.67	4.79	3.99	3.96	3.94	4.21	4.17	4.21	4.00
6 Netherlands	9.19	9.25	6.73	5.23	5.22	5.04	4.95	4.84	4.88	4.98
7 France	9.49	10.14	8.30	6.11	5.89	5.52	5.44	5.51	5.46	5.50
8 Italy	12.04	13.91	10.09	8.36	8.07	7.76	8.04	8.39	8.88	8.68
9 Belgium	9.30	9.31	8.10	6.10	5.84	5.27	5.33	5.53	5.47	5.34
10 Japan	7.33	4.39	2.96	2.26	2.26	2.17	2.12	2.14	2.28	2.31

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1991	1992	1993	1994					
				Apr.	May	June	July	Aug.	Sept.
1 Australia/dollar[2]	77.872	73.521	67.993	71.565	72.433	73.291	73.409	74.010	74.200
2 Austria/schilling	11.686	10.992	11.639	11.948	11.651	11.446	11.027	11.010[r]	10.904
3 Belgium/franc	34.195	32.148	34.581	34.979	34.108	33.514	32.315	32.248[r]	31.871
4 Canada/dollar	1.1460	1.2085	1.2902	1.3830	1.3808	1.3836	1.3826	1.3783[r]	1.3540
5 China, P.R./yuan	5.3337	5.5206	5.7795	8.7251	8.6859	8.6836	8.6605	8.6072	8.5581
6 Denmark/krone	6.4038	6.0372	6.4863	6.6642	6.4857	6.3786	6.1581	6.1845[r]	6.1038
7 Finland/markka	4.0521	4.4865	5.7251	5.4997	5.4194	5.4241	5.1996	5.1493[r]	4.9689
8 France/franc	5.6468	5.2935	5.6669	5.8170	5.6728	5.5597	5.3702	5.3602	5.2975
9 Germany/deutsche mark	1.6610	1.5618	1.6545	1.6984	1.6565	1.6271	1.5674	1.5646	1.5491
10 Greece/drachma	182.63	190.81	229.64	249.08	245.41	244.77	236.92	237.11[r]	235.98
11 Hong Kong/dollar	7.7712	7.7402	7.7357	7.7269	7.7262	7.7309	7.7265	7.7272	7.7275
12 India/rupee	22.712	28.156	31.291	31.391	31.375	31.385	31.376	31.373	31.372
13 Ireland/pound[2]	161.39	170.42	146.47	143.42	147.12	149.54	152.79	152.22	154.61
14 Italy/lira	1,241.28	1,232.17	1,573.41	1,626.07	1,594.56	1,592.22	1,562.31	1,582.15[r]	1,565.79
15 Japan/yen	134.59	126.78	111.08	103.48	103.75	102.53	98.44	99.94	98.77
16 Malaysia/ringgit	2.7503	2.5463	2.5738	2.6887	2.6169	2.5942	2.5948	2.5633	2.5617
17 Netherlands/guilder	1.8720	1.7587	1.8585	1.9074	1.8597	1.8242	1.7585	1.7570[r]	1.7372
18 New Zealand/dollar[2]	57.832	53.792	54.127	56.908	58.347	59.121	60.063	60.119	60.297
19 Norway/krone	6.4912	6.2142	7.0979	7.3680	7.1789	7.0686	6.8560	6.8331[r]	6.7961
20 Portugal/escudo	144.77	135.07	161.08	173.54	171.15	168.76	160.98	159.80[r]	157.91
21 Singapore/dollar	1.7283	1.6294	1.6158	1.5628	1.5464	1.5310	1.5137	1.5045	1.4885
22 South Africa/rand	2.7633	2.8524	3.2729	3.5789	3.6346	3.6318	3.6705	3.5968	3.5570
23 South Korea/won	736.73	784.58	805.75	811.71	809.79	809.86	808.39	806.83	803.69
24 Spain/peseta	104.01	102.38	127.48	138.14	136.62	134.23	129.31	129.90[r]	128.41
25 Sri Lanka/rupee	41.200	44.013	48.205	48.925	49.067	49.232	49.010	49.241	49.260
26 Sweden/krona	6.0521	5.8258	7.7956	7.8850	7.7181	7.7968	7.7471	7.7420[r]	7.5227
27 Switzerland/franc	1.4356	1.4064	1.4781	1.4383	1.4125	1.3727	1.3239	1.3184	1.2892
28 Taiwan/dollar	26.759	25.160	26.416	26.389	26.792	27.018	26.658	26.419	26.210
29 Thailand/baht	25.528	25.411	25.333	25.268	25.212	25.137	24.977	25.021	24.968
30 United Kingdom/pound[2]	176.74	176.63	150.16	148.23	150.42	152.62	154.67	154.22	156.61
MEMO									
31 United States/dollar[3]	89.84	86.61	93.18	94.39	92.79	91.60	89.06	89.26[r]	88.08

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

	Issue	*Page*
Anticipated schedule of release dates for periodic releases	June 1994	A76

SPECIAL TABLES—Quarterly Data Published Irregularly, with Latest Bulletin *Reference*

Title and Date	*Issue*	*Page*
Assets and liabilities of commercial banks		
March 31, 1993	August 1993	A70
June 30, 1993	November 1993	A70
September 30, 1993	February 1994	A70
December 31, 1993	May 1994	A68
Terms of lending at commercial banks		
November 1993	February 1994	A76
February 1994	May 1994	A74
May 1994	August 1994	A68
August 1994	November 1994	A68
Assets and liabilities of U.S. branches and agencies of foreign banks		
September 30, 1993	February 1994	A80
December 31, 1993	May 1994	A78
March 31, 1994	August 1994	A72
June 30, 1994	November 1994	A72
Pro forma balance sheet and income statements for priced service operations		
June 30, 1991	November 1991	A80
September 30, 1991	January 1992	A70
March 30, 1992	August 1992	A80
June 30, 1992	October 1992	A70
Assets and liabilities of life insurance companies		
June 30, 1991	December 1991	A79
September 30, 1991	May 1992	A81
December 31, 1991	August 1992	A83
September 30, 1992	March 1993	A71

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 1–5, 1994[1]

Commercial and Industrial Loans

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
ALL BANKS									
1 Overnight[6]	11,642,664	6,404	*	5.00	.21	14.1	57.7	10.6	Other
2 One month or less (excluding overnight)	7,423,447	1,199	14	5.23	.19	14.3	77.7	4.5	Other
3 Fixed rate	5,697,915	1,981	12	5.06	.26	10.4	75.7	4.9	Other
4 Floating rate	1,725,532	521	20	5.78	.26	27.4	84.2	2.9	Other
5 More than one month and less than one year	12,832,976	214	150	6.48	.15	45.5	80.8	6.8	Prime
6 Fixed rate	6,247,291	248	102	5.93	.19	36.0	81.6	8.4	Foreign
7 Floating rate	6,585,685	189	195	7.01	.20	54.5	80.1	5.4	Prime
8 Demand[7]	13,508,412	280	*	6.69	.17	75.6	59.8	4.4	Prime
9 Fixed rate	1,887,209	472	*	5.54	.28	36.7	86.2	7.0	Other
10 Floating rate	11,621,203	263	*	6.88	.18	81.9	55.6	4.0	Prime
11 **Total short-term**	**45,407,499**	**391**	**64**	**5.96**	**.15**	**41.3**	**68.1**	**6.7**	**Other**
12 Fixed rate (thousands of dollars)	25,474,430	753	31	5.28	.21	20.3	69.7	8.5	Other
13 1–99	431,342	16	152	8.74	.13	84.0	32.3	.5	Other
14 100–499	430,482	200	92	7.01	.19	62.2	59.1	5.9	Other
15 500–999	464,578	691	56	5.88	.03	40.3	74.4	5.3	Fed funds
16 1,000–4,999	4,170,929	2,352	38	5.54	.06	31.9	76.7	8.1	Other
17 5,000–9,999	3,937,787	6,519	32	5.31	.09	28.3	72.4	9.5	Other
18 10,000 or more	16,039,311	18,522	24	5.05	.09	11.9	68.4	8.8	Other
19 Floating rate (thousands of dollars)	19,933,069	242	159	6.83	.17	68.1	66.1	4.4	Prime
20 1–99	1,578,234	26	191	8.54	.05	84.6	84.6	1.8	Prime
21 100–499	3,405,858	204	192	8.11	.02	80.9	86.7	3.6	Prime
22 500–999	1,775,208	661	203	7.71	.10	76.6	86.2	5.2	Prime
23 1,000–4,999	4,278,755	1,947	162	7.21	.10	69.1	82.4	5.8	Prime
24 5,000–9,999	1,656,578	6,589	151	6.27	.29	58.8	67.0	7.9	Prime
25 10,000 or more	7,238,436	23,384	124	5.53	.26	58.0	37.7	3.4	Fed funds
			Months						
26 **Total long-term**	**6,586,107**	**260**	**43**	**6.91**	**.15**	**59.2**	**82.9**	**5.4**	**Prime**
27 Fixed rate (thousands of dollars)	1,631,902	130	42	6.66	.26	53.5	74.7	4.2	Other
28 1–99	187,979	16	55	8.92	.26	93.8	28.9	.0	Other
29 100–499	151,272	214	41	8.06	.29	86.2	52.0	3.9	Other
30 500–999	53,158	636	44	7.21	.31	61.6	89.6	13.1	Other
31 1,000 or more	1,239,493	4,190	40	6.12	.24	43.0	83.8	4.5	Other
32 Floating rate (thousands of dollars)	4,954,205	388	43	6.99	.14	61.1	85.6	5.8	Prime
33 1–99	262,930	34	44	8.46	.12	91.9	64.2	2.4	Prime
34 100–499	752,046	207	47	8.06	.07	81.7	74.3	5.0	Prime
35 500–999	458,048	675	36	7.73	.08	71.2	83.7	14.4	Prime
36 1,000 or more	3,481,182	4,304	43	6.55	.20	53.0	90.0	5.1	Prime
			Days	Loan rate (percent): Effective[3]	Loan rate (percent): Nominal[8]				Prime rate[9]
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	11,465,486	7,585	*	4.96	4.93	13.4	57.1	10.8	7.25
38 One month or less (excluding overnight)	6,939,745	4,480	13	5.00	4.97	9.7	77.4	4.5	7.24
39 More than one month and less than one year	8,002,671	1,033	121	5.42	5.39	30.0	81.8	8.7	7.27
40 Demand[7]	6,767,385	2,284	*	5.21	5.14	66.0	37.4	3.6	7.28
41 **Total short-term**	**33,175,287**	**2,410**	**41**	**5.13**	**5.09**	**27.3**	**63.3**	**7.5**	**7.26**
42 Fixed rate	23,963,940	2,896	26	5.10	5.07	17.4	69.7	8.6	7.26
43 Floating rate	9,211,347	1,676	123	5.21	5.15	53.2	46.7	4.5	7.27
			Months						
44 **Total long-term**	**3,106,160**	**881**	**39**	**5.47**	**5.38**	**34.9**	**89.0**	**5.5**	**7.31**
45 Fixed rate	979,152	454	36	5.41	5.35	29.9	81.4	5.4	7.30
46 Floating rate	2,127,007	1,556	41	5.49	5.40	37.3	92.6	5.5	7.31

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 1–5, 1994—Continued

Commercial and industrial loans—Continued

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
LARGE BANKS									
1 Overnight[6]	10,216,970	6,864	*	5.02	.19	13.8	55.8	11.0	Other
2 One month or less (excluding overnight)	6,046,005	3,876	14	5.08	.17	11.4	75.1	5.0	Other
3 Fixed rate	4,639,574	6,028	12	5.01	.12	9.8	72.6	5.6	Fed funds
4 Floating rate	1,406,431	1,780	19	5.33	.29	16.7	83.1	2.9	Other
5 More than one month and less than one year	8,251,717	1,081	131	6.03	.13	38.0	85.4	8.4	Foreign
6 Fixed rate	4,408,903	3,100	91	5.69	.14	36.3	90.6	9.9	Foreign
7 Floating rate	3,842,814	618	176	6.42	.20	40.0	79.5	6.6	Prime
8 Demand[7]	9,178,379	493	*	6.17	.17	73.6	51.5	4.2	Fed funds
9 Fixed rate	1,394,907	1,756	*	5.36	.24	32.0	83.8	.0	Other
10 Floating rate	7,783,472	437	*	6.32	.18	81.1	45.7	4.9	Fed funds
11 **Total short-term**	**33,693,072**	**1,150**	**48**	**5.59**	**.13**	**35.6**	**65.3**	**7.4**	**Other**
12 Fixed rate (thousands of dollars)	20,659,706	4,620	24	5.19	.14	18.9	68.9	8.8	Other
13 1–99	21,864	29	148	7.53	.14	75.1	70.0	1.5	Other
14 100–499	185,972	261	58	6.29	.18	49.0	75.1	4.4	Other
15 500–999	315,172	697	48	5.86	.14	41.6	74.4	4.6	Domestic
16 1,000–4,999	3,089,694	2,353	35	5.53	.07	31.9	75.8	6.8	Other
17 5,000–9,999	3,345,952	6,597	30	5.31	.09	28.8	70.0	8.4	Other
18 10,000 or more	13,701,053	18,773	20	5.04	.11	12.6	66.9	9.5	Other
19 Floating rate (thousands of dollars)	13,033,366	525	134	6.24	.17	62.0	59.7	5.2	Prime
20 1–99	503,484	34	197	8.33	.10	87.2	88.8	1.5	Prime
21 100–499	1,501,946	209	184	7.98	.09	80.0	90.4	3.9	Prime
22 500–999	810,968	673	182	7.61	.13	71.6	89.2	7.4	Prime
23 1,000–4,999	2,206,566	2,012	141	6.82	.10	57.4	83.1	8.0	Prime
24 5,000–9,999	1,322,078	6,591	136	6.06	.31	57.0	67.7	10.0	Prime
25 10,000 or more	6,688,324	24,998	116	5.38	.27	57.5	37.7	3.7	Fed funds
			Months						
26 **Total long-term**	**4,378,174**	**937**	**42**	**6.53**	**.15**	**51.8**	**88.5**	**5.8**	**Prime**
27 Fixed rate (thousands of dollars)	721,700	1,066	40	5.97	.26	47.1	72.7	7.6	Other
28 1–99	9,255	28	52	8.59	.12	90.4	41.0	.0	Other
29 100–499	32,099	226	47	6.98	.23	79.8	74.2	.0	Other
30 500–999	28,221	663	53	7.04	.69	53.8	89.9	18.5	Domestic
31 1,000 or more	652,124	3,961	39	5.84	.39	44.6	72.3	7.6	Other
32 Floating rate (thousands of dollars)	3,656,474	915	42	6.64	.13	52.7	91.7	5.4	Prime
33 1–99	61,597	41	32	8.12	.09	88.4	85.9	2.9	Prime
34 100–499	339,296	228	34	7.94	.09	75.0	87.7	4.8	Prime
35 500–999	306,313	682	36	7.71	.15	67.1	88.4	14.9	Prime
36 1,000 or more	2,949,268	5,267	44	6.35	.20	47.9	92.6	4.5	Foreign
			Days	Loan rate (percent) Effective[3]	Loan rate (percent) Nominal[8]				Prime rate[9]
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	10,041,329	8,158	*	4.98	4.95	13.0	55.1	11.2	7.25
38 One month or less (excluding overnight)	5,852,881	6,291	13	4.97	4.95	9.3	74.7	4.9	7.23
39 More than one month and less than one year	6,367,022	3,787	117	5.39	5.36	30.2	84.1	9.3	7.24
40 Demand[7]	5,952,386	3,913	*	5.15	5.07	68.9	30.6	2.4	7.25
41 **Total short-term**	**28,213,618**	**5,260**	**38**	**5.11**	**5.07**	**27.9**	**60.5**	**7.6**	**7.24**
42 Fixed rate	20,030,596	5,744	24	5.11	5.08	17.3	68.1	8.8	7.25
43 Floating rate	8,183,022	4,361	111	5.10	5.04	53.8	42.0	4.7	7.23
			Months						
44 **Total long-term**	**2,477,855**	**3,410**	**40**	**5.38**	**5.29**	**35.8**	**89.2**	**5.9**	**7.25**
45 Fixed rate	568,765	2,263	39	5.40	5.33	39.8	73.9	8.4	7.25
46 Floating rate	1,909,090	4,016	40	5.38	5.28	34.6	93.7	5.1	7.25

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 1-5, 1994[1]—Continued

Commercial and industrial loans—Continued

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commit-ment (percent)	Partici-pation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
OTHER BANKS									
1 Overnight[6]	1,425,694	4,325	*	4.83	.40	15.9	71.6	7.8	Foreign
2 One month or less (excluding overnight)	1,377,441	298	16	5.84	.23	27.3	89.3	2.2	Other
3 Fixed rate	1,058,340	502	13	5.26	.31	13.1	89.3	1.9	Other
4 Floating rate	319,101	126	26	7.78	.14	74.5	89.0	2.9	Prime
5 More than one month and less than one year	4,581,259	87	184	7.30	.18	59.0	72.5	4.1	Prime
6 Fixed rate	1,838,388	77	130	6.50	.24	35.3	59.8	4.8	Other
7 Floating rate	2,742,871	96	220	7.83	.21	74.9	81.0	3.6	Prime
8 Demand[7]	4,330,033	146	*	7.79	.21	79.6	77.5	4.9	Prime
9 Fixed rate	492,302	154	*	6.02	.41	50.0	92.8	26.7	Fed funds
10 Floating rate	3,837,731	145	*	8.02	.20	83.4	75.6	2.1	Prime
11 **Total short-term**	**11,714,427**	**135**	**117**	**7.01**	**.18**	**57.7**	**76.2**	**4.6**	**Prime**
12 Fixed rate (thousands of dollars)	4,814,724	164	59	5.68	.25	26.2	73.2	7.3	Other
13 1-99	409,479	15	152	8.81	.13	84.4	30.3	.4	Other
14 100-499	244,510	170	115	7.55	.30	72.3	46.9	7.0	Other
15 500-999	149,406	679	73	5.91	.24	37.4	74.3	6.8	Fed funds
16 1,000-4,999	1,081,235	2,350	46	5.57	.24	32.0	79.5	11.6	Fed funds
17 5,000-9,999	591,835	6,110	45	5.31	.32	25.5	86.0	15.9	Other
18 10,000 or more	2,338,259	17,178	46	5.07	.21	7.9	77.2	4.4	Other
19 Floating rate (thousands of dollars)	6,899,703	120	200	7.93	.23	79.6	78.3	2.7	Prime
20 1-99	1,074,750	24	189	8.64	.08	83.3	82.7	1.9	Prime
21 100-499	1,903,912	200	195	8.22	.04	81.7	83.8	3.4	Prime
22 500-999	964,240	652	216	7.78	.12	80.8	83.7	3.3	Prime
23 1,000-4,999	2,072,189	1,882	186	7.63	.18	81.5	81.7	3.4	Prime
24 5,000-9,999	334,500	6,578	224	7.13	.73	65.8	64.4	.0	Prime
25 10,000 or more	550,112	13,098	317	7.45	.78	64.5	37.5	.0	Domestic
			Months						
26 **Total long-term**	**2,207,934**	**107**	**45**	**7.66**	**.15**	**73.9**	**71.8**	**4.8**	**Prime**
27 Fixed rate (thousands of dollars)	910,202	77	44	7.20	.29	58.5	76.3	1.6	Prime
28 1-99	178,724	16	56	8.94	.27	94.0	28.3	.0	Other
29 100-499	119,172	211	40	8.35	.23	87.9	46.0	4.9	Prime
30 500-999	24,937	608	35	7.39	.38	70.5	89.2	7.0	Prime
31 1,000 or more	587,369	4,477	42	6.43	.43	41.3	96.5	1.1	Prime
32 Floating rate (thousands of dollars)	1,297,731	148	46	7.97	.10	84.7	68.7	7.0	Prime
33 1-99	201,333	33	47	8.56	.13	93.0	57.6	2.3	Prime
34 100-499	412,750	192	59	8.15	.10	87.2	63.2	5.1	Prime
35 500-999	151,735	661	36	7.76	.18	79.6	74.3	13.4	Prime
36 1,000 or more	531,913	2,137	39	7.68	.18	81.0	75.6	8.5	Prime
			Days	Loan rate (percent)					Prime rate[9]
				Effective[3]	Nominal[8]				
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	1,424,157	5,073	*	4.83	4.82	15.8	71.5	7.8	7.25
38 One month or less (excluding overnight)	1,086,865	1,756	13	5.13	5.12	12.2	92.3	2.3	7.29
39 More than one month and less than one year	1,635,649	270	139	5.56	5.50	29.2	73.0	6.1	7.40
40 Demand[7]	814,999	565	*	5.64	5.62	44.3	87.1	12.0	7.48
41 **Total short-term**	**4,961,669**	**590**	**59**	**5.27**	**5.24**	**24.1**	**79.1**	**6.7**	**7.34**
42 Fixed rate	3,933,344	822	36	5.06	5.03	17.8	78.0	7.8	7.29
43 Floating rate	1,028,325	284	197	6.08	6.03	48.3	83.6	2.7	7.56
			Months						
44 **Total long-term**	**628,305**	**225**	**36**	**5.78**	**5.75**	**31.5**	**88.5**	**3.9**	**7.53**
45 Fixed rate	410,387	215	31	5.41	5.37	16.1	91.7	1.2	7.37
46 Floating rate	217,918	244	43	6.49	6.46	60.4	82.5	8.9	7.84

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 2–5, 1994—Continued

NOTES

1. The survey of terms of bank lending to business collects data on gross loan extensions made during the first full business week in the mid-month of each quarter by a sample of 340 commercial banks of all sizes. A sample of 250 banks reports loans to farmers. The sample data are blown up to estimate the lending terms at all insured commercial banks during that week. The estimated terms of bank lending are not intended for use in collecting the terms of loans extended over the entire quarter or residing in the portfolios of those banks. Construction and land development loans include both unsecure loans and loans secured by real estate. Thus, some of the construction and land development loans would be reported on the statement of condition as real estate loans and the remainder as business loans. Mortgage loans, purchased loans, foreign loans, and loans of less that $1,000 are excluded from the survey. As of September 30, assets of most of the large banks were at least $7.0 billion. For all insured banks, total assets averaged $275 million.
2. Average maturities are weighted by loan size; excludes demand loans.
3. Effective (compounded) annual interest rate calculated from the stated rate and other terms of the loans and weighted by loan size.
4. The chances are about two out of three that the average rate shown would differ by less than the amount of the standard error from the average rate that would be found by a complete survey of lending at all banks.
5. The rate used to price the largest dollar volume of loans. Base pricing rates include the *prime* rate (sometimes referred to as a bank's "basic" or "reference" rate); the *federal funds* rate; *domestic* money market rates other than the *federal funds* rate; *foreign* money market rates; and *other* base rates not included in the foregoing classifications.
6. Overnight loans mature on the following business day.
7. Demand loans have no stated date of maturity.
8. Nominal (not compounded) annual interest rate calculated from the stated rate and other terms of the loans and weighted by loan size.
9. Calculated by weighting the prime rate reported by each bank by the volume of loans reported by that bank, summing the results, and then averaging over all reporting banks.
10. The proportion of loans made at rates below the prime may vary substantially from the proportion of such loans outstanding in banks' portfolios.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1994[1]

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
1 **Total assets**[4]	**710,018**	**319,027**	**542,574**	**259,197**	**74,223**	**33,189**	**59,123**	**19,468**
2 Claims on nonrelated parties	634,634	183,861	480,732	152,336	67,385	15,925	57,351	11,072
3 Cash and balances due from depository institutions	143,487	118,324	125,814	102,676	6,737	6,131	9,683	8,828
4 Cash items in process of collection and unposted debits	3,455	0	3,308	0	11	0	90	0
5 Currency and coin (U.S. and foreign)	24	n.a.	17	n.a.	1	n.a.	1	n.a.
6 Balances with depository institutions in United States	86,826	66,794	75,456	57,003	4,468	3,903	6,360	5,695
7 U.S. branches and agencies of other foreign banks (including IBFs)	81,637	64,258	70,977	54,716	4,121	3,778	6,169	5,575
8 Other depository institutions in United States (including IBFs)	5,188	2,535	4,479	2,287	346	126	190	120
9 Balances with banks in foreign countries and with foreign central banks	52,569	51,531	46,482	45,674	2,235	2,228	3,223	3,133
10 Foreign branches of U.S. banks	841	701	750	621	47	46	43	33
11 Other banks in foreign countries and foreign central banks	51,728	50,829	45,732	45,052	2,188	2,181	3,181	3,101
12 Balances with Federal Reserve Banks	613	n.a.	550	n.a.	22	n.a.	9	n.a.
13 **Total securities and loans**	**369,133**	**55,083**	**251,645**	**40,431**	**55,378**	**9,105**	**35,702**	**1,756**
14 Total securities, book value	87,453	12,850	80,303	11,676	4,207	692	2,315	464
15 U.S. Treasury	28,148	n.a.	27,142	n.a.	626	n.a.	287	n.a.
16 Obligations of U.S. government agencies and corporations	21,142	n.a.	20,608	n.a.	320	n.a.	39	n.a.
17 Other bonds, notes, debentures, and corporate stock (including state and local securities)	38,163	12,850	32,554	11,676	3,261	692	1,989	464
18 Federal funds sold and securities purchased under agreements to resell	50,847	5,379	46,200	4,930	674	147	3,475	297
19 U.S. branches and agencies of other foreign banks	13,786	4,250	11,531	3,801	488	147	1,522	297
20 Commercial banks in United States	10,562	232	10,096	232	94	0	220	0
21 Other	26,498	896	24,573	896	92	0	1,733	0
22 Total loans, gross	281,812	42,241	171,420	28,759	51,194	8,416	33,397	1,292
23 LESS: Unearned income on loans	132	8	78	4	23	2	9	0
24 EQUALS: Loans, net	281,680	42,233	171,341	28,754	51,170	8,414	33,388	1,292
Total loans, gross, by category								
25 Real estate loans	42,099	411	23,467	211	12,875	185	3,696	13
26 Loans to depository institutions	41,281	27,702	27,180	17,972	8,705	6,596	2,030	878
27 Commercial banks in United States (including IBFs)	19,178	10,471	11,275	5,837	5,925	3,952	1,693	566
28 U.S. branches and agencies of other foreign banks	17,222	10,120	10,124	5,593	5,737	3,866	1,131	546
29 Other commercial banks in United States	1,956	351	1,150	244	188	87	562	20
30 Other depository institutions in United States (including IBFs)	17	9	17	9	0	0	0	0
31 Banks in foreign countries	22,086	17,222	15,888	12,125	2,781	2,644	337	312
32 Foreign branches of U.S. banks	735	695	370	338	355	355	0	0
33 Other banks in foreign countries	21,351	16,528	15,518	11,788	2,426	2,289	337	312
34 Loans to other financial institutions	20,388	1,081	16,751	925	1,238	24	1,845	50
35 Commercial and industrial loans	160,877	10,159	90,683	7,067	27,680	1,550	23,697	332
36 U.S. addressees (domicile)	141,856	65	77,284	37	25,127	14	23,026	0
37 Non-U.S. addressees (domicile)	19,021	10,095	13,399	7,030	2,553	1,537	672	332
38 Acceptances of other banks	966	61	658	53	68	0	43	0
39 U.S. banks	343	0	299	0	18	0	3	0
40 Foreign banks	623	60	359	53	49	0	40	0
41 Loans to foreign governments and official institutions (including foreign central banks)	3,771	2,659	2,844	2,392	175	61	171	18
42 Loans for purchasing or carrying securities (secured and unsecured)	6,551	10	6,148	10	205	0	130	0
43 All other loans	4,573	116	2,383	88	247	0	1,785	0
44 All other assets	56,690	4,942	44,994	4,166	4,533	541	6,160	191
45 Customers' liabilities on acceptances outstanding	13,069	n.a.	8,965	n.a.	2,821	n.a.	670	n.a.
46 U.S. addressees (domicile)	9,810	n.a.	6,347	n.a.	2,610	n.a.	578	n.a.
47 Non-U.S. addressees (domicile)	3,259	n.a.	2,618	n.a.	211	n.a.	92	n.a.
48 Other assets including other claims on nonrelated parties	43,621	4,942	36,030	4,166	1,712	541	5,490	191
49 Net due from related depository institutions[5]	75,384	135,166	61,843	106,861	6,838	17,264	1,772	8,396
50 Net due from head office and other related depository institutions[5]	75,384	n.a.	61,843	n.a.	6,838	n.a.	1,772	n.a.
51 Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	135,166	n.a.	106,861	n.a.	17,264	n.a.	8,396
52 **Total liabilities**[4]	**710,018**	**319,027**	**542,574**	**259,197**	**74,223**	**33,189**	**59,123**	**19,468**
53 Liabilities to nonrelated parties	597,871	295,758	488,638	241,728	56,665	32,461	37,464	16,057

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1994[1]—Continued

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
54 Total deposits and credit balances	137,577	225,071	118,725	205,661	4,948	6,254	7,079	8,683
55 Individuals, partnerships, and corporations	91,122	12,640	75,570	8,770	4,303	385	5,632	81
56 U.S. addressees (domicile)	77,531	167	67,723	165	2,604	0	4,773	2
57 Non-U.S. addressees (domicile)	13,591	12,473	7,847	8,605	1,699	385	859	79
58 Commercial banks in United States (including IBFs)	25,459	65,236	23,195	60,968	386	2,164	1,303	1,942
59 U.S. branches and agencies of other foreign banks	15,049	59,048	14,030	55,568	86	1,981	496	1,350
60 Other commercial banks in United States	10,410	6,188	9,165	5,400	299	183	807	593
61 Banks in foreign countries	8,269	127,185	8,011	118,504	47	3,019	62	5,062
62 Foreign branches of U.S. banks	2,982	3,824	2,982	3,470	0	147	0	198
63 Other banks in foreign countries	5,287	123,361	5,029	115,034	47	2,872	62	4,864
64 Foreign governments and official institutions (including foreign central banks)	4,732	19,943	4,420	17,388	186	686	2	1,562
65 All other deposits and credit balances	7,099	67	6,685	32	6	0	74	35
66 Certified and official checks	895		844		20		7	
67 Transaction accounts and credit balances (excluding IBFs)	9,393		7,810		328		322	
68 Individuals, partnerships, and corporations	6,872		5,570		259		308	
69 U.S. addressees (domicile)	5,104		4,469		204		304	
70 Non-U.S. addressees (domicile)	1,768		1,101		54		4	
71 Commercial banks in United States (including IBFs)	90		84		2		0	
72 U.S. branches and agencies of other foreign banks	33		31		1		0	
73 Other commercial banks in United States	57		53		1		0	
74 Banks in foreign countries	967		808		38		2	
75 Foreign branches of U.S. banks	1		1		0		0	
76 Other banks in foreign countries	966		807		38		2	
77 Foreign governments and official institutions (including foreign central banks)	409		362		4		2	
78 All other deposits and credit balances	160		144		6		3	
79 Certified and official checks	895		844		20		7	
80 Demand deposits (included in transaction accounts and credit balances)	8,801		7,535		261		308	
81 Individuals, partnerships, and corporations	6,423		5,411		198		294	
82 U.S. addressees (domicile)	4,929		4,392		159		290	
83 Non-U.S. addressees (domicile)	1,494		1,019		39		4	
84 Commercial banks in United States (including IBFs)	78		73		0		0	
85 U.S. branches and agencies of other foreign banks	22	n.a.	21	n.a.	0	n.a.	0	n.a.
86 Other commercial banks in United States	56		52		0		0	
87 Banks in foreign countries	906		750		38		2	
88 Foreign branches of U.S. banks	1		1		0		0	
89 Other banks in foreign countries	905		749		38		2	
90 Foreign governments and official institutions (including foreign central banks)	382		348		4		2	
91 All other deposits and credit balances	117		109		1		3	
92 Certified and official checks	895		844		20		7	
93 Nontransaction accounts (including MMDAs, excluding IBFs)	128,185		110,914		4,619		6,757	
94 Individuals, partnerships, and corporations	84,251		70,000		4,045		5,324	
95 U.S. addressees (domicile)	72,427		63,254		2,400		4,469	
96 Non-U.S. addressees (domicile)	11,824		6,746		1,645		855	
97 Commercial banks in United States (including IBFs)	25,369		23,111		384		1,302	
98 U.S. branches and agencies of other foreign banks	15,017		13,999		86		496	
99 Other commercial banks in United States	10,353		9,113		298		807	
100 Banks in foreign countries	7,302		7,203		9		60	
101 Foreign branches of U.S. banks	2,981		2,981		0		0	
102 Other banks in foreign countries	4,321		4,222		9		60	
103 Foreign governments and official institutions (including foreign central banks)	4,323		4,058		182		0	
104 All other deposits and credit balances	6,940		6,541		0		71	
105 IBF deposit liabilities		225,071		205,661		6,254		8,683
106 Individuals, partnerships, and corporations		12,640		8,770		385		81
107 U.S. addressees (domicile)		167		165		0		2
108 Non-U.S. addressees (domicile)		12,473		8,605		385		79
109 Commercial banks in United States (including IBFs)		65,236		60,968		2,164		1,942
110 U.S. branches and agencies of other foreign banks		59,048		55,568		1,981		1,350
111 Other commercial banks in United States	n.a.	6,188	n.a.	5,400	n.a.	183	n.a.	593
112 Banks in foreign countries		127,185		118,504		3,019		5,062
113 Foreign branches of U.S. banks		3,824		3,470		147		198
114 Other banks in foreign countries		123,361		115,034		2,872		4,864
115 Foreign governments and official institutions (including foreign central banks)		19,943		17,388		686		1,562
116 All other deposits and credit balances		67		32		0		35

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1994[1]—Continued

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
117 Federal funds purchased and securities sold under agreements to repurchase	68,203	12,622	56,508	8,649	5,696	1,631	5,500	2,240
118 U.S. branches and agencies of other foreign banks	13,002	2,448	8,695	865	3,262	1,223	843	274
119 Other commercial banks in United States	8,225	257	5,631	72	1,956	125	562	60
120 Other	46,975	9,917	42,182	7,712	478	283	4,095	1,907
121 Other borrowed money	116,552	53,570	67,833	23,585	35,802	24,073	10,525	5,003
122 Owed to nonrelated commercial banks in United States (including IBFs)	38,485	20,139	15,611	5,183	18,468	13,045	2,814	1,468
123 Owed to U.S. offices of nonrelated U.S. banks	9,198	1,849	5,208	550	2,743	976	731	252
124 Owed to U.S. branches and agencies of nonrelated foreign banks	29,287	18,290	10,403	4,632	15,725	12,069	2,084	1,216
125 Owed to nonrelated banks in foreign countries	32,883	30,844	18,162	16,323	10,792	10,666	3,391	3,390
126 Owed to foreign branches of nonrelated U.S. banks	1,527	1,491	619	586	660	660	227	227
127 Owed to foreign offices of nonrelated foreign banks	31,356	29,353	17,542	15,737	10,132	10,006	3,164	3,163
128 Owed to others	45,184	2,587	34,061	2,079	6,542	363	4,320	145
129 All other liabilities	50,468	4,495	39,911	3,833	3,966	502	5,676	131
130 Branch or agency liability on acceptances executed and outstanding	13,707	n.a.	9,523	n.a.	2,825	n.a.	670	n.a.
131 Other liabilities to nonrelated parties	36,761	4,495	30,388	3,833	1,141	502	5,005	131
132 Net due to related depository institutions[5]	112,147	23,269	53,936	17,469	17,557	728	21,660	3,411
133 Net owed to head office and other related depository institutions[5]	112,147	n.a.	53,936	n.a.	17,557	n.a.	21,660	n.a.
134 Net owed to establishing entity, head office, and other related depository institutions[5]	n.a.	23,269	n.a.	17,469	n.a.	728	n.a.	3,411
MEMO								
135 Non-interest-bearing balances with commercial banks in United States	1,105	0	867	0	103	0	53	0
136 *Holding of commercial paper included in total loans*	973		924		11		10	
137 Holding of own acceptances included in commercial and industrial loans	3,570		2,400		930		78	
138 Commercial and industrial loans with remaining maturity of one year or less	97,001		53,731		16,449		15,577	
139 Predetermined interest rates	53,498	n.a.	29,274	n.a.	9,393	n.a.	10,757	n.a.
140 Floating interest rates	43,502		24,457		7,056		4,820	
141 Commercial and industrial loans with remaining maturity of more than one year	63,876		36,952		11,232		8,120	
142 Predetermined interest rates	19,724		10,960		4,186		3,224	
143 Floating interest rates	44,152		25,992		7,046		4,896	

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1994[1]—Continued

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
144 Components of total nontransaction accounts, included in total deposits and credit balances of nontransaction accounts, including IBFs	131,695	n.a.	114,894	n.a.	5,282	n.a.	6,985	n.a.
145 Time CDs in denominations of $100,000 or more	97,237	n.a.	85,046	n.a.	3,091	n.a.	5,280	n.a.
146 Other time deposits in denominations of $100,000 or more	24,639	n.a.	21,587	n.a.	1,173	n.a.	1,254	n.a.
147 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	9,819	n.a.	8,261	n.a.	1,018	n.a.	451	n.a.
	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
148 Market value of securities held	0	0	0	0	0	0	0	0
149 Immediately available funds with a maturity greater than one day included in other borrowed money	73,167	n.a.	36,582	n.a.	28,905	n.a.	6,010	n.a.
150 Number of reports filed[6]	550	0	256	0	127	0	49	0

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." The form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items. IBF, international banking facility.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate international banking facilities (IBFs). Since December 31, 1985, data for IBFs have been reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data have been reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. Related depository institutions includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

Index to Statistical Tables

References are to pages A3–A75 although the prefix "A" is omitted in this index

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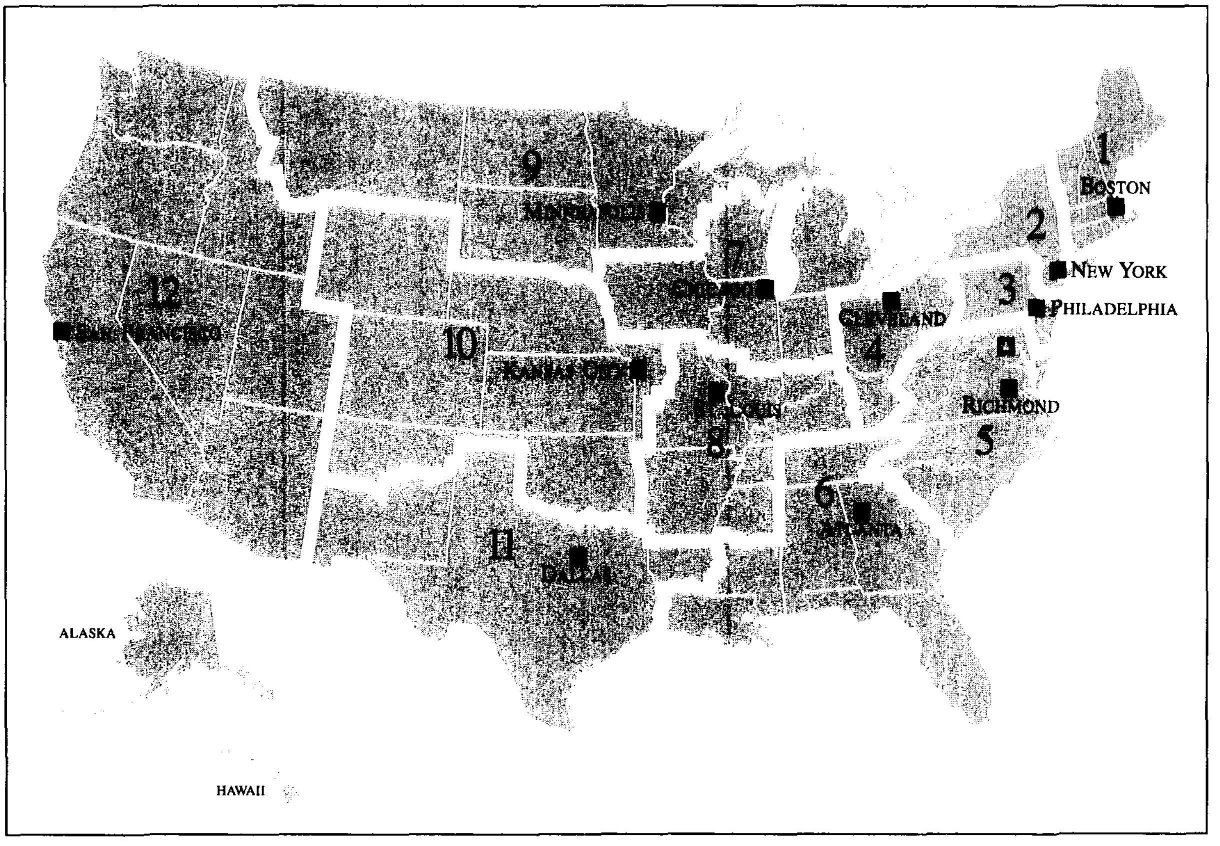
166. THE ECONOMICS OF THE PRIVATE PLACEMENT MARKET, by Mark Carey, Stephen Prowse, John Rea, and Gregory Udell. January 1994. 111 pp.
167. A SUMMARY OF MERGER PERFORMANCE STUDIES IN BANKING, 1980–93, AND AN ASSESSMENT OF THE "OPERATING PERFORMANCE" AND "EVENT STUDY" METHODOLOGIES, by Stephen A. Rhoades. July 1994. 37 pp.

Maps of the Federal Reserve System



LEGEND

Both pages

■ Federal Reserve Bank city

◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

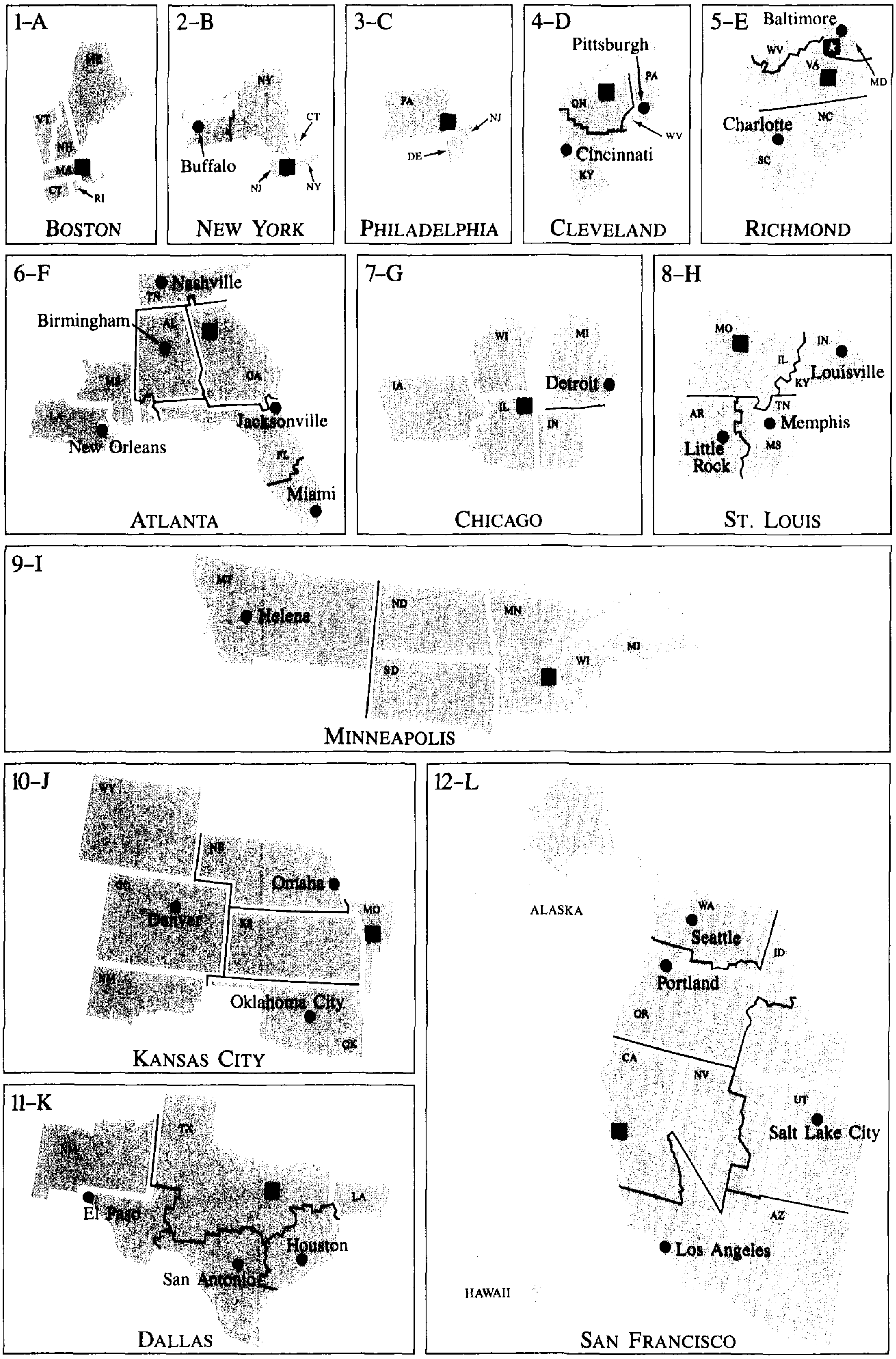
— Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.


1-A
ME
VT
NH
MA
CT
RI
BOSTON
2-B
NY
CT
Buffalo
NJ
NY
NEW YORK
3-C
PA
NJ
DE
PHILADELPHIA
4-D
Pittsburgh
PA
OH
WV
Cincinnati
KY
CLEVELAND
5-E
Baltimore
WV
VA
MD
Charlotte
NC
SC
RICHMOND
6-F
Nashville
TN
Birmingham
AL
MS
GA
LA
Jacksonville
New Orleans
FL
Miami
ATLANTA
7-G
WI
MI
IA
Detroit
IL
IN
CHICAGO
8-H
MO
IN
IL
Louisville
KY
AR
TN
Memphis
Little Rock
MS
ST. LOUIS
9-I
MT
Helena
ND
MN
MI
WI
SD
MINNEAPOLIS
10-J
WY
NE
Omaha
CO
MO
Denver
KS
NM
Oklahoma City
OK
KANSAS CITY
11-K
TX
NM
LA
El Paso
Houston
San Antonio
DALLAS
12-L
ALASKA
WA
Seattle
ID
Portland
OR
CA
NV
UT
Salt Lake City
AZ
Los Angeles
HAWAII
SAN FRANCISCO

Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or *facility* Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
BOSTON* 02106	Jerome H. Grossman Warren B. Rudman	Cathy E. Minehan Paul M. Connolly	
NEW YORK* 10045	Maurice R. Greenberg David A. Hamburg	William J. McDonough James H. Oltman	
Buffalo 14240	Joseph J. Castiglia		Carl W. Turnipseed[1]
PHILADELPHIA 19105	James M. Mead Donald J. Kennedy	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND* 44101	A. William Reynolds G. Watts Humphrey, Jr.	Jerry L. Jordan Sandra Pianalto	
Cincinnati 45201	John N. Taylor, Jr.		Charles A. Cerino[1]
Pittsburgh 15230	Robert P. Bozzone		Harold J. Swart[1]
RICHMOND* 23219	Henry J. Faison Claudine B. Malone	J. Alfred Broaddus, Jr. Jimmie R. Monhollon	
Baltimore 21203	Rebecca Hahn Windsor		Ronald B. Duncan[1]
Charlotte 28230	Harold D. Kingsmore		Walter A. Varvel[1]
Culpeper Communications and Records Center 22701			John G. Stoides[1]
ATLANTA 30303	Leo Benatar Hugh M. Brown	Robert P. Forrestal Jack Guynn	
Birmingham 35283	Shelton E. Allred		Donald E. Nelson[1]
Jacksonville 32231	Samuel H. Vickers		Fred R. Herr[1]
Miami 33152	Dorothy C. Weaver		James D. Hawkins[1]
Nashville 37203	Paula Lovell		James T. Curry III
New Orleans 70161	Jo Ann Slaydon		Melvyn K. Purcell
			Robert J. Musso
CHICAGO* 60690	Richard G. Cline Robert M. Healey	Michael H. Moskow William C. Conrad	
Detroit 48231	J. Michael Moore		Roby L. Sloan[1]
ST. LOUIS 63166	Robert H. Quenon John F. McDonnell	Thomas C. Melzer James R. Bowen	
Little Rock 72203	Robert D. Nabholz, Jr.		Karl W. Ashman
Louisville 40232	Laura M. Douglas		Howard Wells
Memphis 38101	Sidney Wilson, Jr.		John P. Baumgartner
MINNEAPOLIS 55480	Gerald A. Rauenhorst Jean D. Kinsey	Gary H. Stern Colleen K. Strand	
Helena 59601	Lane Basso		John D. Johnson
KANSAS CITY 64198	Burton A. Dole, Jr. Herman Cain	Thomas M. Hoenig Richard K. Rasdall	
Denver 80217	Barbara B. Grogan		Kent M. Scott[1]
Oklahoma City 73125	Ernest L. Holloway		David J. France
Omaha 68102	Sheila Griffin		Harold L. Shewmaker
DALLAS 75201	Cece Smith Roger R. Hemminghaus	Robert D. McTeer, Jr. Tony J. Salvaggio	
El Paso 79999	Alvin T. Johnson		Sammie C. Clay
Houston 77252	Judy Ley Allen		Robert Smith, III[1]
San Antonio 78295	Erich Wendl		Thomas H. Robertson
SAN FRANCISCO 94120	James A. Vohs Judith M. Runstad	Robert T. Parry Patrick K. Barron	
Los Angeles 90051	Anita E. Landecker		John F. Moore[1]
Portland 97208	William A. Hilliard		E. Ronald Liggett[1]
Salt Lake City 84125	Gerald R. Sherratt		Andrea P. Wolcott
Seattle 98124	George F. Russell, Jr.		Gordon Werkema[1]

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

1. *Senior Vice President.*