VOLUME 83 □ NUMBER 11 □ NOVEMBER 1997

FEDERAL RESERVE BULLETIN

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

The *Federal Reserve Bulletin* is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. It is assisted by the Economic Editing Section headed by S. Ellen Dykes, the Graphics Center under the direction of Peter G. Thomas, and Publications Services supervised by Linda C. Kyles.

Table of Contents

Open Market Operations in the 1990s

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Open market operations are the Federal Reserve's principal tool for implementing monetary policy.[1] These purchases and sales of U.S. Treasury and federal agency securities largely determine the federal funds rate—the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. The federal funds rate, in turn, affects monetary and financial conditions, which ultimately influence employment, output, and the overall level of prices.

The objectives and conduct of open market operations have evolved over the years, partly in response to the way the Federal Open Market Committee—the Federal Reserve's primary monetary policymaking body—implements policy and explains it to the public. Also shaping the conduct of open market operations have been changes in financial markets, including a move to arrange transactions in the market for repurchase agreements earlier in the day, prompted by the Federal Reserve's imposition of a fee on daylight overdrafts in the accounts of depository institutions. Another important influence has been a decline in the balances that depository institutions are required to hold at the Federal Reserve stemming from the widespread adoption of retail sweep programs, which transfer funds from deposit accounts that are subject to reserve requirements to deposit accounts that are not.

Federal Reserve Balances and Reserve Objectives

Open market operations are a powerful tool in implementing monetary policy because of their connection with the total supply of balances at the Federal Reserve and the federal funds rate. Many depository institutions maintain accounts at Federal Reserve Banks that they use to make payments on behalf of their customers or themselves. They use the end-of-day balances in these accounts to meet reserve and other balance requirements (See box "Reserve Concepts, Technical Factors, and Required Clearing Balances.") If a depository institution anticipates that it will end the day with a larger balance than it wants, it can reduce that balance in several ways depending on how long it expects the surplus to persist. For example, if it expects the surplus to be temporary, the institution often lends the excess balance overnight to a depository institution that anticipates having a smaller end-of-day balance than it wants. The market in which the lending of Federal Reserve balances takes place is the federal funds market, and the interest rate at which the loan is made is the federal funds rate.[2] The total supply of Federal Reserve balances available to depository institutions is determined primarily by open market operations. Through these operations, the Federal Reserve has considerable influence over conditions in the federal funds market.

Open market operations can be directed at achieving a desired quantity of balances, as specified by the Federal Open Market Committee (FOMC), or a desired price (federal funds rate), but they may not be able to achieve both at once. The greater the emphasis on a quantity objective, the more short-run changes in the demand for balances will influence the federal funds rate; conversely, the greater the emphasis on a funds-rate objective, the more shifts in demand will influence the quantity of Federal Reserve balances.

Over the years, the Federal Reserve has used variations of both approaches to open market operations.[3]

1. The other tools of monetary policy are reserve requirements and the discount window, the Federal Reserve's lending facility. See Joshua N. Feinman, "Reserve Requirements: History, Current Practice, and Potential Reform," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 569–89, and James A. Clouse, "Recent Developments in Discount Window Policy," *Federal Reserve Bulletin*, vol. 80 (November 1994), pp. 965–77.

2. Federal funds lending is not collateralized; therefore, different depository institutions pay different rates for loans depending on their creditworthiness. Depository institutions can arrange transactions directly between themselves, or for large transactions they can use a federal funds broker. Typically, the term "federal funds rate" refers to the rate at which the most creditworthy institutions borrow and lend balances in the brokered market.

3. Detailed discussions of the history of monetary policy can be found in Ann-Marie Meulendyke, *U.S. Monetary Policy and Financial Markets* (New York: Federal Reserve Bank of New York, 1989), pp. 18–47, and in Ann-Marie Meulendyke, "A Review of Federal Reserve Policy Targets and Operating Guides in Recent Decades," Federal Reserve Bank of New York *Quarterly Review*, vol. 13 (Autumn 1988), pp. 6–17.

Reserve Concepts, Technical Factors, and Required Clearing Balances

Reserve Concepts

Total reserves equal vault cash used by depository institutions to meet reserve requirements (so-called applied vault cash) plus reserve balances held by depository institutions at their Federal Reserve Banks. Reserve balances, and thus total reserves, exclude required clearing balances of depository institutions.

Demand for Reserves

The demand for reserves has two components, required reserves and excess reserves.

Required Reserves (RR). Each depository institution must hold a percentage of certain of its deposit liabilities as reserves. Reserve requirements are currently applied to the average level of transaction deposits over a two-week computation period and are specified as an average level to be maintained over a two-week reserve maintenance period.[1] A depository institution's reserve requirement is satisfied first by its vault cash—currency held in its vault—and, if vault cash is insufficient, by the end-of-day balances it maintains during the reserve maintenance period in its account at its Federal Reserve Bank. Holding required reserve balances—the difference between required reserves and applied vault cash—is costly for a depository institution because the Federal Reserve does not pay interest on these balances.

Excess Reserves (ER). A depository institution may choose to hold balances at its Federal Reserve Bank in addition to those it must hold to meet reserve requirements; these balances are called excess reserves. Depository institutions hold excess reserves to avoid deficiencies in their required reserve balances and to avoid overnight overdrafts, both of which are subject to charges. In general, depository institutions hold few excess reserves because these holdings do not earn interest. Most excess reserves are held by small depository institutions for whom the cost of very close management of reserve balances would exceed the interest they could earn by holding fewer excess reserves. Vault cash held in excess of reserve requirements is not included in excess reserves or in total reserves.

1. Approximately 99 percent of all required reserves are held by depository institutions that meet their reserve requirements on a two-week average basis. The computation and maintenance periods for these depository institutions are nearly contemporaneous. Small depository institutions hold the remaining required reserves. The computation and maintenance periods for these institutions are one-week long, but there is a lag between the two periods.

Supply of Reserves

The supply of reserves has two components, borrowed reserves and nonborrowed reserves.

Borrowed Reserves (BR). Borrowed reserves are balances provided to depository institutions through the Federal Reserve's discount window lending facility. In general, a depository institution is expected to use the discount window to meet its liquidity needs only after drawing on all other reasonably available sources of funds. This administrative criterion limits considerably the use of the window, even though the rate charged for discount window loans—the discount rate—is typically below the federal funds rate. Since the mid-1980s, depository institutions have become quite reluctant to turn to the discount window because of concerns that their borrowing might become known to private market participants—even though the Federal Reserve treats the identity of borrowers in a highly confidential manner—and that such borrowing might be viewed as a sign of weakness.[2] As a result, the volume of balances supplied through the discount window is generally a very small fraction of the total supply of reserves.

Nonborrowed Reserves (NBR). Nonborrowed reserves are reserves provided to depository institutions through means other than the discount window and include applied vault cash. Over time, nonborrowed reserves are affected primarily by open market operations. They are also influenced by changes in technical factors (described below). Although the Federal Reserve does not have complete control over technical factors, it can offset fairly closely their effects on nonborrowed reserves through open market operations, and thus it can exercise considerable control over the supply of reserves.

In equation form, the reserve concepts are related as follows:

$$TR = RR + ER = BR + NBR.$$

At equilibrium, the total demand for reserves must equal the total supply of reserves.

2. See Clouse, "Recent Developments in Discount Window Policy."

During most of the 1970s, it targeted the federal funds rate. In October 1979, at a time when anti-inflationary restraint was called for, it began instead to target the quantity of reserves—specifically, nonborrowed reserves—to achieve greater control over M1, the narrowest measure of the money stock. Under this approach, market interest rates varied over a wide range, mainly in response to deviations in M1 growth from the FOMC's objective.

By late 1982, it had become clear that financial innovation had weakened the historical link between M1 and the economic objectives of monetary policy,

Reserve Concepts, Technical Factors, and Required Clearing Balances—Continued

Technical Factors Affecting Nonborrowed Reserves

Technical factors are items on the Federal Reserve's balance sheet other than loans and holdings of domestic securities that can affect the supply of nonborrowed reserves to depository institutions.[3] The key factors are described here.

Currency. The Federal Reserve supplies currency to depository institutions. When it does so, it debits the Federal Reserve account of the depository institution receiving the currency, thus draining reserve balances from the depository system. The amount of currency demanded by the public, both in the United States and abroad, tends to grow over time, in part reflecting increases in nominal spending. Consequently, an increasing volume of reserve balances is drained from the depository system and must be replenished. The expansion of currency outstanding is the primary reason the Desk conducts outright purchases of securities.

Treasury Balance. The U.S. Treasury maintains an account at the Federal Reserve. When a payment is made to the Treasury, the Federal Reserve account of the depository institution on which the payment is drawn is debited, and the Federal Reserve account of the Treasury is credited. The Treasury is not a depository institution, so the transaction drains reserve balances from the depository system. The Treasury's Federal Reserve balance is the most volatile technical factor that affects nonborrowed reserves, especially in the weeks following the April 15 deadline for federal income tax payments.

Federal Reserve Float. Federal Reserve float is created when the account of the depository institution presenting a check for payment is credited before the account of the depository institution on which the check is drawn is debited. This situation can arise because credit is granted to the presenting depository institution on a preset schedule, whereas the paying institution's account is not debited until the check is physically presented to it. Float temporarily adds reserve balances to the depository system because, until the paying institution's account is debited, the two depository institutions essentially are credited with the same reserve balances. Float is most volatile following inclement weather that disrupts the normal check-delivery process.

Foreign Exchange. When the Federal Reserve purchases dollars, it does so by selling assets denominated in foreign currencies. It debits the account of the purchaser of the foreign currency asset (or the purchaser's depository institution if the purchaser is not a depository institution) for the dollar value of the transaction, so reserve balances decrease. Conversely, when the Federal Reserve sells dollars, it purchases assets denominated in foreign currencies. It credits the account of the seller's depository institution for the dollar value of the transaction, and reserve balances increase. The effects of these transactions on reserve balances are sterilized, or offset, by open market operations.

Required Clearing Balances

Depository institutions that use Federal Reserve priced services (such as check clearing or electronic payment services) may establish required clearing balances at their Federal Reserve Banks. When a depository institution establishes a required clearing balance, it commits in advance to holding a specified balance, above its required reserve balance, on average over the reserve maintenance period. Required clearing balances, like excess reserves, provide a cushion against overnight overdrafts; unlike excess reserves, however, required clearing balances earn implicit interest, in the form of earnings credits. If the depository institution fails to satisfy its required clearing balance, the deficiency is subject to a charge.

Although they are excluded from reserve measures because they cannot be used to meet reserve requirements, required clearing balances play an important role in helping depository institutions avoid overnight overdrafts. For the Desk's purposes, required clearing balances are included in nonborrowed reserves as a technical factor absorbing reserves.

3. A more detailed discussion of the factors affecting nonborrowed reserves can be found in Ann-Marie Meulendyke, *U.S. Monetary Policy and Financial Markets*, pp. 141–47.

and the FOMC began to make more discretionary decisions about money market conditions, using a wider array of economic and financial variables to judge the need for an adjustment in short-term interest rates. In the day-to-day conduct of open market operations, this change was manifested in a shift of focus from a nonborrowed reserve target to a borrowed reserve target. The Federal Reserve routinely supplies fewer reserves than the estimated demand, thus forcing depository institutions to meet their remaining need for reserves by borrowing at the discount window. The total amount borrowed is limited, however, even though the discount rate is generally below the federal funds rate, because access to discount window credit is restricted. In particular, depository institutions are required to pursue all other reasonably available sources of funds, including those available in the federal funds market, before credit is granted. During the time it was targeting borrowed reserves, the Federal Reserve influenced the level of the federal funds rate by controlling the extent to which depository institutions had to turn to the discount window. When it wanted to ease monetary policy, it would reduce the borrowed reserve target and supply more nonborrowed reserves to meet estimated demand. With less pressure to borrow from the discount window, depository institutions would bid less aggressively for reserve balances at the Federal Reserve, and the federal funds rate would fall.

Beginning in the mid-1980s, spreading doubts about the financial health of some depository institutions led to an increasing reluctance on the part of many institutions to borrow at the discount window, thus weakening the link between borrowing and the federal funds rate.[4] Consequently, the Federal Reserve increasingly sought to attain a specific level of the federal funds rate rather than a targeted quantity of borrowed reserves.

In early 1994, the FOMC was preparing to tighten monetary policy for the first time in five years, and it wanted the public to understand its objectives as quickly and clearly as possible. For many years, the FOMC did not announce changes in the stance of monetary policy. Instead, market participants had to infer changes from the type of open market operation conducted and the level of the federal funds rate relative to their perceptions about the FOMC's target rate. The perceived change would then be publicized through wire service stories and other press accounts. This means of communicating could, and on a few occasions did, lead to misunderstandings about the stance of policy or to delays in recognizing changes. As a result, the FOMC in 1994 began announcing changes in its policy stance, so that the public would learn of any change immediately. In 1995, it sought to make its announcements even clearer by explicitly stating its short-term objective for open market operations, which is currently a target level for the federal funds rate.

Open Market Operations: An Overview

Open market operations affect the supply of Federal Reserve balances to depository institutions. Purchases of securities increase the quantity of Federal Reserve balances because the Federal Reserve creates the balances to pay the seller by crediting the account of the seller's depository institution at the Federal Reserve. Conversely, sales of securities decrease the quantity of Federal Reserve balances because the Federal Reserve extinguishes balances when it debits the account of the purchaser's depository institution at the Federal Reserve. In contrast, when financial institutions, business firms, or individuals conduct transactions among themselves, they simply redistribute existing balances held at the Federal Reserve without changing the aggregate level of those balances.[5]

Domestic Securities Holdings

Open market operations are arranged by the Domestic Trading Desk at the Federal Reserve Bank of New York (the Desk) under authorization from the FOMC, which was created by statute to direct open market operations. Operations are conducted in domestic securities, primarily U.S. Treasury and federal agency securities.[6] Nearly all of the Federal Reserve's domestic securities holdings are Treasury securities, with roughly equal shares of Treasury bills and Treasury coupon securities—notes and bonds (table 1). Federal agency securities have accounted for only a small proportion of the domestic securities portfolio since the Federal Reserve began purchasing such securities in 1971. The Desk has not added to the Federal Reserve's permanent holdings of agency securities through open market purchases since 1981; moreover, when suitable replacements for maturing issues have not been offered, the Desk has had to allow existing holdings to mature without replacement. As a result, the Federal Reserve's holdings of federal agency securities have declined steadily, and recently the Desk stated that it will permit the remainder of these holdings to mature without replacement. It continues, however, to acquire agency securities in temporary operations, which are discussed below.

4. See Clouse, "Recent Developments in Discount Window Policy." See also "Monetary Policy and Open Market Operations during 1988," Federal Reserve Bank of New York *Quarterly Review*, vol. 14 (Winter–Spring 1989), pp. 83–102.

5. More detailed discussions of open market operations can be found in Meulendyke, *U.S. Monetary Policy and Financial Markets*, and in M.A. Akhtar, *Understanding Open Market Operations* (New York: Federal Reserve Bank of New York, 1997).

6. The Desk is also authorized to conduct limited operations in bankers' acceptances, and it was very active in that market until 1977, when the FOMC decided to discontinue outright purchases under ordinary circumstances. Outright transactions in bankers' acceptances had not contributed materially to meeting reserve needs for a number of years, and the FOMC noted that the market had become mature and efficient and no longer needed support from Federal Reserve operations. Similar motivations prompted the FOMC to discontinue temporary purchases of bankers' acceptances in 1984.

The Federal Reserve also holds securities denominated in foreign currencies. Purchases and sales of these securities are not considered open market operations.

1. Federal Reserve holdings of U.S. Treasury and federal agency securities, September 24, 1997

Billions of dollars

Type of security	Holding
Treasury bills[1]	209.6
Treasury coupon securities	216.5
Notes	161.5
Bonds	55.0
Federal agency	.9
Total Treasury and agency	427.0

1. Includes Treasury bills sold under matched sale–purchase transactions.

2. Average maturity of marketable U.S. Treasury securities, selected years, 1975–97

Months

Year	Federal Reserve holdings	Holdings of private investors
1975	31	29
1980	54	45
1985	47	60
1990	39	71
1991	35	72
1992	36	70
1993	38	68
1994	38	66
1995	39	63
1996	41	63
1997	42	64

NOTE. End-of-year data except 1997; for 1997, end-of-June data. Federal Reserve holdings exclude the effects of securities acquired and sold in temporary transactions.

SOURCE. Federal Reserve Bank of New York and *Treasury Bulletin*.

The overall size of the Federal Reserve's portfolio of domestic securities is dictated by the FOMC's monetary policy objectives. The liquidity and maturity of that portfolio depend on the FOMC's preferences, which have evolved over time. In the early 1980s, the average maturity of the portfolio was slightly more than four years, similar to the average maturity of the public's holdings of marketable U.S. Treasury debt (table 2). In 1984, when Continental Illinois National Bank faced a severe liquidity crisis, emphasis on the liquidity of the portfolio increased because the Desk had to offset the massive volume of balances provided to Continental through the discount window. The Federal Reserve was able to maintain the desired level of reserve balances by allowing Treasury bills to mature without replacement and by selling them in a market that was receptive to liquid short-term issues of the highest quality. The crisis underscored the importance of having a liquid portfolio, one that could accommodate developments requiring large cuts in holdings over a short period. Over the next seven years, the average maturity trended down as the Desk purchased more Treasury bills than Treasury coupon issues on balance.[7] By the end of 1991, the average maturity of the portfolio was just under three years.

In the spring of 1992, the FOMC reviewed the maturity structure of the Federal Reserve's portfolio holdings. It concluded that the portfolio was sufficiently liquid and directed the Desk to take steps to keep the average maturity from falling further. Following a further review in September 1996, the FOMC confirmed its view that the primary objective in managing the composition of the Federal Reserve's domestic securities portfolio was to ensure a high degree of liquidity.

Counterparties

The FOMC's authorization to conduct open market operations permits the Desk to conduct business with foreign official and international institutions that maintain accounts at the Federal Reserve Bank of New York and with securities dealers. The dealers with which the Desk transacts business are called primary dealers. For many years, primary dealers were expected to meet market share and capital requirements, to bid meaningfully for new securities at U.S. Treasury auctions, and to permit review of their dealer activities by the Federal Reserve through statistical and financial reporting and on-site visits.[8] In addition to being invited to bid in open market operations, primary dealers, unlike other dealers, were allowed to bid on behalf of customers at all Treasury auctions and to bid at Treasury note and bond auctions without first making a deposit or obtaining a guarantee. The practice of transacting with a limited number of dealers was intended to foster the development of active and liquid secondary markets for Treasury debt, to promote vigorous bidding at Treasury auctions, and to ensure that the Federal Reserve had counterparties who could handle its large orders efficiently and safely.

In 1991, following disclosures of bidding irregularities at Treasury auctions by Salomon Brothers, Inc., the Treasury, the Securities and Exchange Commission, and the Federal Reserve reviewed many aspects of the market for Treasury securities, includ-

7. The notable exception in this downtrend occurred in 1989, when the average maturity ticked up. Heavy purchases of foreign currency by the Federal Reserve injected more reserve balances into the depository system than were consistent with reserve objectives, and the Desk absorbed the overabundance through sales of Treasury bills.

8. See also "Monetary Policy and Open Market Operations during 1991," Federal Reserve Bank of New York *Quarterly Review*, vol. 17 (Spring 1992), pp. 1–24.

Estimating the Need for Open Market Operations

The first step in estimating the need for open market operations is constructing the nonborrowed reserve objective. Rearranging the equation that defines reserve concepts,

$$NBR = RR + ER - BR.$$

The demand for required reserves (*RR*) is estimated by staff at the Federal Reserve Bank of New York and at the Board of Governors on the basis of data on deposits reported by depository institutions. The Desk assumes that the demand for excess reserves (*ER*) will be $1 billion, but it sometimes adjusts that figure as the maintenance period progresses on the basis of econometric models and data on holdings of excess reserves by type of depository institution (for example, large banks, small banks, thrift institutions, and U.S. branches of foreign banks). The supply of borrowed reserves (*BR*) is estimated by the Desk as the amount of reserve balances to be supplied through the discount window that is consistent with the difference between the discount rate and the FOMC's target federal funds rate. Most discount window borrowing is done under the seasonal program, and the interest rate charged is a floating, market-based rate; such borrowing rises in the spring (as loans are extended during the planting season), peaks in the summer, and tapers off in the fall (as loans are repaid after the harvest). Once these three estimates are available, the equation is used to construct the nonborrowed reserve objective. For example, if required reserves are estimated at $47.5 billion, the demand for excess reserves is assumed to be $1 billion, and borrowed reserves are estimated at $0.4 billion, then the nonborrowed reserve objective for the period is $48.1 billion.

The second step is forecasting the supply of nonborrowed reserves in the absence of any additional open market operations over the remainder of the maintenance period. These forecasts, which are provided to the Desk by staff at the New York Reserve Bank and the Board, include an estimate of the amount of vault cash that depository institutions will use to meet their reserve requirements.

The amount of reserve balances that must be added or drained through open market operations each day, on average, over the entire reserve maintenance period is the difference between the nonborrowed reserve objective and the projected supply of nonborrowed reserves. If the projected supply exceeds the objective, the Desk must drain reserve balances during the period. If the objective exceeds the projected supply, the Desk must add reserve balances; for example, if the staff estimates that the supply of nonborrowed reserves is $44.1 billion for the period and the objective is $48.1 billion, then the Desk needs to add a daily average of $4 billion over the maintenance period.

ing the primary dealer system.[9] The review prompted the Federal Reserve to establish a more open system of trading relationships based primarily on the value of the dealers as counterparties for the Federal Reserve and the Treasury. The Federal Reserve dropped the market share criterion, which was viewed by some market participants as a barrier, and discontinued its dealer surveillance function, in part to emphasize that the Federal Reserve does not regulate primary dealers. As it always has, the Federal Reserve does require that primary dealers be active and competitive participants in open market operations and that they be consistent and meaningful participants in Treasury auctions. It also requires that primary dealers meet the capital standards of their primary regulators rather than a standard set by the Federal Reserve. In addition, primary dealers must freely and candidly supply the Desk with information on market activity. The joint agency review also prompted the Treasury to change its auction procedures, extending to other dealers the privileges once enjoyed only by primary dealers. The number of primary dealers currently is close to its 1991 level: Some dealers have been added to the list, while a few have either exited the business or merged with other primary dealers.

9. The findings of the review are reported in *Joint Report on the Government Securities Market* (Washington, D.C.: Government Printing Office, January 1992).

THE DAILY CONDUCT OF OPEN MARKET OPERATIONS

Each morning, the staff at the Domestic Trading Desk decide whether an open market operation is necessary and, if so, whether it should be an outright or a temporary operation.

Determining the Need for an Operation

Staff at the Federal Reserve Bank of New York and at the Board of Governors provide the Desk with estimates of the average supply of and demand for reserves for the current two-week reserve maintenance period (and two future periods), along with the daily estimates that underlie the averages for the current period. The estimates of period-average reserve demand, less an allowance for discount window borrowing consistent with the federal funds rate target, yield an objective for nonborrowed reserves. (See box "Estimating the Need for Open Market Operations.") This objective is modified as the maintenance period progresses to incorporate new information on reserve demand or borrowing. The objective is compared with the projected supply of nonborrowed reserves absent any additional open market operations during the maintenance period. The difference between the objective and the projected supply indicates the amount of reserve balances that must be added or drained each day, on average, over the entire maintenance period: If the objective for nonborrowed reserves exceeds the projected supply, the Desk needs to add reserve balances; if the projected supply of nonborrowed reserves exceeds the objective, the Desk needs to drain reserve balances. The points during the maintenance period at which reserve balances are added or drained and the types of operations conducted depend importantly on the expected duration and daily pattern of the reserve need.

Outright Operations

If staff projections indicate a large and persistent imbalance between reserve demand and supply, say for a month or more, the Desk may conduct an outright purchase or sale of securities. (See box "Types of Open Market Operations.") Such transactions increase or decrease the size of the Federal Reserve's portfolio (and thus add or drain reserve balances) permanently. The Desk conducts far more outright purchases than outright sales, primarily because it must offset the reserve drain resulting from the public's increasing demand for currency.

Before 1995, the Desk entered the market to conduct outright operations only a few times each year. It would wait until reserve needs were large enough to warrant a sizable transaction—on the order of $3 billion to $4 billion—in part because such operations, especially coupon purchases, were time consuming. For a coupon purchase, for example, the Desk had to review numerous offers on about two hundred securities. (The number and volume of outright purchases in recent years are shown in table 3.) Automation of the bidding process in 1994 decreased the time needed to evaluate offers, but dealers still had to wait a significant amount of time between submitting offers and learning whether their offers had been accepted. For that reason, dealers, in pricing their offers, took into account the risk that market prices might move adversely while they were

3. Outright purchases in the market, 1990–97

Year	Treasury bills		Treasury coupon securities	
	Number of market entries	Volume (billions of dollars)	Number of market entries	Volume (billions of dollars)
1990	5	16.6	0	...
1991	3	8.1	1	2.3
1992	3	9.7	3	12.3
1993	2	8.6	4	16.8
1994	2	7.7	4	17.0
1995	2	8.2	5	9.1
1996	2	9.8	5	7.2
1997	1	4.0	13	17.4

NOTE. Data for 1997 are through September 24.

waiting. In November 1995, the Desk changed its approach to outright coupon purchases. It now divides up a purchase of coupon securities, focusing on only a portion of the maturity spectrum rather than on all maturities at once. This approach has further decreased the turnaround time for such operations and has likely resulted in better prices to the Desk. The Desk still purchases all maturities of Treasury coupon issues, but it generally spreads its purchases over several weeks, in keeping with the size of estimated reserve needs. With this new procedure, the Desk is better able to tailor its purchases to reserve needs. In addition, the operations, which had been conducted only in the early afternoon, can now be conducted in the morning as well.

Temporary Operations

If staff projections indicate only a short-lived need to add or drain reserve balances, the Desk usually conducts a temporary operation. Such operations are far more common than outright operations, partly because daily fluctuations in technical factors alter reserve supply (as discussed in the box "Reserve Concepts, Technical Factors, and Required Clearing Balances"). The daily demand for reserves is generally assumed to be equal to the period-average level, but the figure is informally adjusted on days on which reserve demand has historically appeared to be elevated, such as on days on which social security payments are made. Although reserves are held on a two-week average basis, a large imbalance between demand and supply on any one day may cause the federal funds rate to move significantly away from the FOMC's target. Temporary open market operations help to offset such large daily imbalances. The Desk arranges repurchase agreements to add reserve balances temporarily and matched sale–purchase transactions to drain reserve balances temporarily.

Types of Open Market Operations

Most open market operations are conducted in the market with the thirty-nine securities dealers that are designated "primary dealers;" some are conducted with foreign official and international institutions that maintain accounts at the Federal Reserve Bank of New York. All operations in the market are conducted as auctions, with all primary dealers invited to bid, and the bidding and bid evaluation processes are now automated. Since January 1997, the Desk has reported the par value of each of its open market operations with primary dealers at the conclusion of the operation.

Outright Operations

The Desk may not add to the Federal Reserve's holdings of securities by purchasing new securities when they are first auctioned because it has no authority to lend directly to the Treasury.[1] Therefore, it must make any additions to holdings through purchases from primary dealers in the secondary market or directly from foreign official and international institutions.

Purchases and Sales in the Market. When purchasing or selling securities in the secondary market, the Desk entertains from primary dealers bids on all securities of a particular type (Treasury bills or Treasury coupon securities) and, for coupon securities, in a particular portion of the maturity spectrum. In determining which bids to accept, the Desk considers the bids that represent the highest yield (for purchases) or the lowest yield (for sales) relative to the prevailing yield curve. To avoid holding too large a share of any one issue, the Desk also considers the size of its holdings of the particular issue relative to the total amount outstanding.

Outright sales in the market are infrequent; the most recent one occurred in 1990. For many years, the Desk often sold Treasury bills in late January to absorb a surfeit of reserves resulting from seasonal declines in currency outstanding and in required reserves. In the 1990s, strong overseas demand for U.S. currency generally has offset the seasonal decline in currency outstanding, obviating the need for outright sales.

1. It may exchange its maturing holdings for new securities at auction, however, and it does so routinely.

Purchases from and Sales to Foreign and International Accounts. Purchases from and sales to foreign and international accounts enable the Desk to make small adjustments to the Federal Reserve's securities holdings without formally entering the market.[2] Purchases from these accounts were fairly common until 1996, when the Desk decided to make most of its purchases in the secondary market from primary dealers so that its operations would be more transparent. Also, the recent shift to purchasing securities in the market in a particular portion of the maturity spectrum has given the Desk the flexibility to add to the Federal Reserve's portfolio more gradually, thus reducing the need to rely on transactions with foreign and international accounts for this purpose. Sales to these accounts have been infrequent in the 1990s because of the strong demand for currency. The sizes of purchases from and sales to foreign and international accounts are not explicitly reported to the public, though they can be inferred from changes in the Federal Reserve's holdings of domestic securities.[3]

Redemptions. The Desk can choose to reduce the size of the Federal Reserve's holdings by redeeming some of its maturing securities rather than exchanging all of them for new securities. Such an approach makes it possible to reduce the portfolio gradually without formally entering the market. When replacement securities are not available, the Desk must redeem its maturing holdings.

Temporary Operations

An operation is temporary if the transaction will, under the contract, unwind after a specified number of days. Temporary open market operations help to offset short-lived imbalances between reserve supply and demand. The Desk arranges repurchase agreements to add reserve balances temporarily and matched sale–purchase transactions to drain reserve balances temporarily.

2. The price at which these transactions occur is the midpoint between the bid and the ask price in the secondary market.

3. Federal Reserve statistical release H.4.1, Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of F.R. Banks, which is published each Thursday, provides data on the Federal Reserve's domestic securities portfolio and other factors affecting the reserve balances of depository institutions. These data are also provided monthly in tables 1.11 and 1.18 of the *Federal Reserve Bulletin*.

For more than seventeen years, the Desk entered the market to arrange temporary transactions between 11:30 a.m. and 11:45 a.m. This time was selected because it gave staff members at the Board and the New York Reserve Bank time at the beginning of the business day to assemble data on factors affecting reserve supply and demand and to make their forecasts. Although the market for repurchase agreements was somewhat more active earlier in the day, it was usually sufficiently active at this time to accommodate open market operations. Nonetheless, there was a risk that the volume of offers on the operation would not be sufficient to allow the Desk to inject the desired amount of reserve balances into the deposi-

Types of Open Market Operations—Continued

Repurchase Agreements

When the Desk arranges a repurchase agreement, it purchases securities from a primary dealer (or the dealer's customer) and agrees to resell the securities to the dealer (or customer) on a specified date. The Desk arranges two types of repurchase agreements: System and customer-related. For both types, the Desk solicits offers from primary dealers. The dealers may make offers on their own behalf or on behalf of their customers. The offers set forth a rate and an amount of repurchase agreements that the dealer (or its customer) is prepared to transact.[4] The Desk ranks the bids in descending order of rate. It accepts the offer with the highest rate first and continues to accept lower rates until the total volume of offers equals the amount of reserve balances that the Desk wants to inject into the depository system. If a greater quantity is offered at the lowest rate than is needed to attain the desired quantity, the offers at that rate are prorated.

System Repurchase Agreements. The Desk does not announce the intended size of the operation when it solicits offers. The dealer (or customer) whose offer is accepted sends securities (Treasury or federal agency) to the Federal Reserve Bank of New York, and the Bank pays for them by creating balances in the Federal Reserve account of the dealer's (or the dealer's customer's) clearing bank.

System repurchase agreements are conducted on an overnight or term basis. Term repurchase agreements may last no longer than fifteen days and may be either withdrawable or fixed term. If the agreement is withdrawable, the dealer has the option of asking, before 10:00 a.m. on any day before the agreement concludes, for the return of its securities; it usually does so if financing rates fall below the rate arranged with the Desk. If the repurchase agreement is fixed term, the dealer may not withdraw its securities early.

Until February 1994, when the FOMC began announcing changes in its policy stance, overnight System repurchase agreements were often used to signal an easing of monetary policy. Term System repurchase agreements, in contrast, were considered more technical, though the Desk generally refrained from such operations when the federal funds rate was noticeably below the FOMC's target, so as not to mislead market participants about the stance of policy.

Customer-Related Repurchase Agreements. Customer-related repurchase agreements are a type of transaction arranged by the Desk with primary dealers on behalf of foreign official and international institutions that maintain accounts at the Federal Reserve Bank of New York.

These institutions maintain accounts at the New York Reserve Bank to help manage their U.S. dollar payments and receipts. The Federal Reserve provides a means by which the cash balances in these accounts can be invested overnight. The accounts purchase securities from the Federal Reserve's portfolio and simultaneously agree to resell the securities the next business day at prices that give the accounts a market-based rate of return. Reserve balances are drained when balances in these accounts rise. When the Desk wants to replenish reserve levels, it may decide to pass these accounts' purchase requests through to primary dealers as customer-related repurchase agreements.

Customer-related repurchase agreements were first used in 1974 and were quite common until recently. In December 1996, the Desk announced that it would no longer routinely conduct these operations, and it did not conduct any over the first nine months of 1997. When the Desk did conduct these transactions, it announced the intended size of the operation to dealers but usually did not report the final accepted amount. The operations were generally smaller than operations involving System repurchase agreements; the maximum size was limited by the volume of purchase requests. The maturity of these agreements was generally overnight because participation in the investment facility changed each day. These operations were viewed as technical in nature and as a signal of satisfaction with the level of the federal funds rate.

Matched Sale–Purchase Transactions

Matched sale–purchase transactions (which are akin to reverse repurchase agreements) are the method by which the Federal Reserve drains reserve balances temporarily. They were first used in 1966. In these transactions, the Federal Reserve agrees to sell a short-dated Treasury bill at a specified price, and the buyer simultaneously enters into another agreement to sell the bill back to the Federal Reserve on a specific date.

In a matched sale–purchase transaction, the Desk indicates the bill and the rate at which it will sell the bill. Dealers then submit offers for the amount of the bill they will buy and the rate at which they will resell it to the Desk. The Desk accepts the highest rate first (so that it buys back the bill at the lowest price) and continues to accept lower rates until the total of accepted offers equals the amount of reserve balances that it wants to drain.

4. The price at which the Federal Reserve temporarily purchases the securities is that day's market price. This price and the rate quoted by the dealer determine the price at which the Federal Reserve resells the securities.

tory system, particularly when reserve needs were large. At times when the risk was high, the Desk might enter the market before its customary intervention time or might preannounce the operation on the preceding afternoon to try to ensure that the volume of offers would be adequate.

In 1994, the Federal Reserve began charging a fee for daylight overdrafts in depository institutions' Federal Reserve accounts.[10] Securities dealers, who now faced fees on the daylight overdrafts in their accounts with depository institutions, began arranging and settling more of their financing transactions earlier in the day to reduce their daylight overdrafts. The Desk, in turn, sought to align its market entry more closely with the period of greatest market activity, and in January 1997, after an acceleration of Federal Reserve data flows and modifications to processing procedures, it moved its intervention time to around 10:30 a.m.

Shifts in the short-run target for open market operations have influenced the number of times the Desk enters the market each day to conduct temporary transactions and the role of reserve estimates in determining the amount of reserve balances to be supplied. In the 1970s, when the target was the federal funds rate, the Desk frequently entered the market several times a day. Although reserve estimates generally guided decisions about the quantity of reserve balances to be supplied, the Desk responded to any deviation of the federal funds rate from target, regardless of the reserve estimates, up until its intervention window closed in the early afternoon. During the 1979–82 period, when the target was nonborrowed reserves, the Desk entered the market at most once a day. Estimates of reserve supply and demand were essential in determining the quantity of reserve balances to be supplied. At the time of this single market entry, the Desk typically conducted only one operation, although at times it conducted two operations with different terms, such as four- and seven-day repurchase agreements. Since late 1982, as procedures have evolved and the federal funds rate again has become the short-run target for open market operations, the Desk has continued, generally, to enter the market at most once a day to conduct temporary transactions, and at times to conduct two operations with different terms. Estimates of reserve supply and demand continue to play a role in determining the amount of reserve balances to supply in order to keep the federal funds rate close to the FOMC's target level. It is possible that the Desk will enter the market several times on any given day when reserve needs warrant, but multiple market entries are not expected to become routine. The Desk entered the market more than once to arrange repurchase agreements on only two days in the first nine months of 1997.

Changes in the Demand for Balances and Their Implications

Innovations in the 1990s have reduced required reserve balances. Although depository institutions have increased the amount of balances they contract to hold in the form of required clearing balances, total required balances have dropped to historically low levels. This development has implications for the conduct of open market operations and for the federal funds rate.

High Total Required Balances

Until the early 1990s, depository institution demand for balances at the Federal Reserve was high and relatively stable. This environment facilitated the conduct of open market operations. High required reserves created a stable, predictable demand for reserve balances, so the Desk could more readily achieve the FOMC's reserve market objective by manipulating the supply of reserve balances. Moreover, high required reserve balances and the averaging method used to satisfy them allowed depository institutions to manage their daily account balances flexibly, thus helping to smooth the federal funds rate.[11]

The size of the balance that a depository institution wants to hold at the end of the day in most cases is either its required reserve balance (plus perhaps a desired amount of excess reserves) or the balance it chooses to hold to protect itself against unanticipated debits that could leave its account overdrawn at the end of the day—its payment-related demand. When required reserve balances are high relative to payment-related balances, depository institutions have a great deal of flexibility in managing their daily account balances because they can substitute a balance held on one day for a balance held on another day.[12] A depository institution that finds its balance at the Federal Reserve unexpectedly high on one day (for instance, because a customer made an unexpected deposit or an expected payment was not made)

10. For a discussion of the reasons for the Federal Reserve's imposition of fees for daylight overdrafts and the response to these fees, see Heidi Willmann Richards, "Daylight Overdraft Fees and the Federal Reserve's Payment System Risk Policy," *Federal Reserve Bulletin*, vol. 81 (December 1995), pp. 1065–77.

11. A depository institution's required reserve balance is the difference between its required reserves and its applied vault cash.

12. The degree of substitutability is more limited on the final day of the maintenance period because reserve carryover rules control the extent to which deficient or excess balances may be carried into the next maintenance period.

does not have to offer to lend the extra balance at very low rates; it can absorb the surplus by choosing to hold lower balances over the remainder of the period and still meet its balance requirement.[13] Holding a lower balance on a subsequent day of the period does not necessarily increase the likelihood that the depository institution will incur an overnight overdraft because its targeted balance is still high relative to its payment-related demand for balances. This flexibility in managing account balances buffers variations in reserve demand and supply that would otherwise put pressure on the federal funds rate.

Before the early 1990s, the demand for balances to meet reserve requirements was well above the payment-related demand for balances. Imbalances between the daily supply of and demand for reserves could be relatively sizable without affecting the federal funds rate as long as cumulative-average balances were close to period-average requirements. For example, unexpected deviations of reserve supply from projections generally did not create volatility in the federal funds market until near the end of the reserve maintenance period.

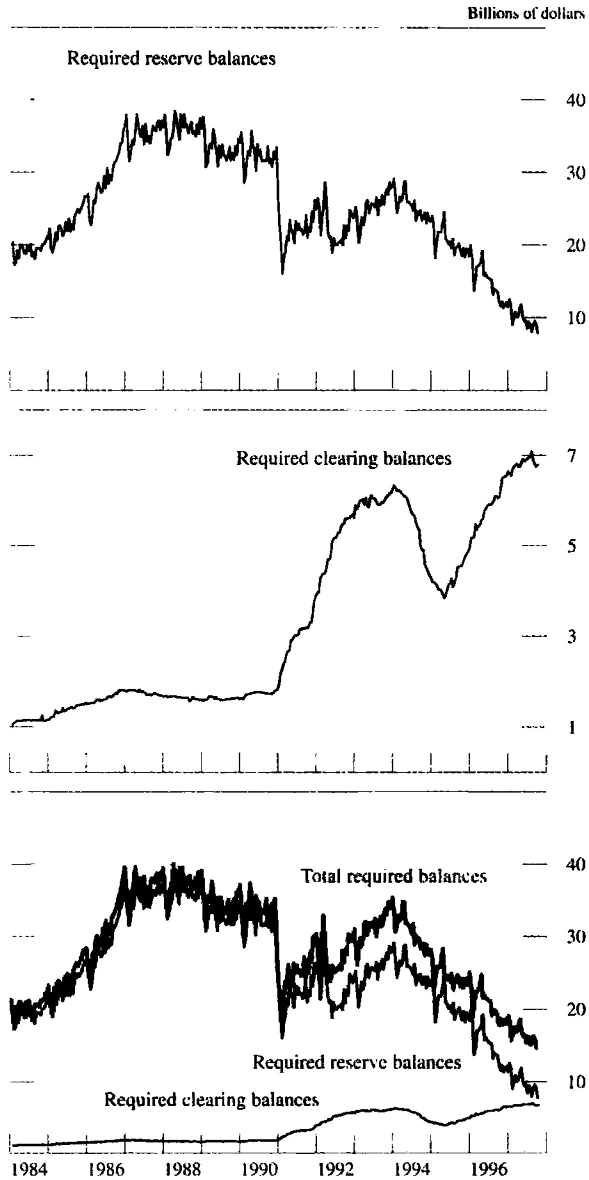
Innovations Reducing Required Reserve Balances

In recent years, the level of required reserve balances has been trending down (chart 1, top panel), for several reasons.

Cuts in Reserve Requirement Ratios

In the early 1990s, sharp declines in required reserve balances followed two cuts in reserve requirement ratios by the Federal Reserve:[14] In December 1990, the ratio for nontransaction deposits was reduced from 3 percent to zero, and in April 1992, the ratio for transaction deposits was reduced from 12 percent to 10 percent.[15] The cuts had little effect on the amount of vault cash held by depository institutions, which depends largely on customer needs for currency, so most of the reductions in required reserves were reflected in lower required reserve balances. Each of the cuts trimmed required reserve balances about one-third.

1. Required balances at Federal Reserve Banks, 1984–97



NOTE. Maintenance-period averages, not seasonally adjusted; 1997 data through September 24.

13. A depository institution's end-of-day balances during a reserve maintenance period must at least average its balance requirement, and any deficiency may be subject to a charge. The charge is 2 percentage points above the lowest discount rate in effect for borrowing from its Federal Reserve Bank on the first day of the month in which the deficiency occurred. Reserve carryover rules permit the depository institution to carry over a deficiency (or surplus) of up to 4 percent of its required reserves into the next maintenance period. Any deficiency that cannot be carried over is subject to charge immediately. If the depository institution fails to cover the deficiency that was carried over to the subsequent period, the deficiency charge applies to that portion as well.

14. The subsequent rebounds in these balances reflected strong growth in transaction deposits due in part to falling market interest rates.

15. The reasons these cuts were made and their implications are discussed in Feinman, "Reserve Requirements: History, Current Practice, and Potential Reform."

Initiation of Retail Sweep Programs

More recently, depository institutions have reduced the amount of balances they must hold at the Federal Reserve by instituting retail sweep programs. Under such a program, a depository institution shifts funds from a depositor's reservable transaction deposit (a checking account) to that depositor's nonreservable account (in most cases a money market deposit account). (See box "Retail Sweep Programs.") By doing so, the depository institution decreases the level of its deposits subject to reserve requirements and, with no change in its vault cash holdings, its required reserve balance, on which it earns no interest. A sweep program is profitable because the depository institution can invest the balances formerly held as reserves in interest-earning assets.

Retail sweep programs were first implemented in January 1994, and since then they have spread to most large depository institutions. The total amount of reservable deposits initially swept under such programs reached an estimated $226 billion in August 1997.[16] As a consequence, required reserves declined nearly $21 billion, or one-third, between December 1993 and August 1997. Sweep programs lower the balance a depository institution must hold to meet its reserve requirement; in some cases, they lower the required reserve balance so much that it falls to zero because the depository institution's vault cash is more than sufficient to satisfy its reserve requirement. In the aggregate, required reserve balances dropped nearly $20 billion, or 70 percent, between December 1993 and August 1997.

Retail Sweep Programs

In a retail sweep program, a depository institution sweeps amounts above a predetermined maximum level from a depositor's checking account (either a demand deposit or an interest-bearing checking account) into a special-purpose money market deposit account (MMDA) created for the depositor. If the balance in the checking account falls below some minimum level, funds are moved from the MMDA back into the checking account to bring the checking account balance to the specified maximum level. The maximum and minimum levels are set by the depository institution on the basis of the depositor's pattern of activity. Regulations limit the number of automatic transfers from an MMDA to six a month, so upon the sixth transfer the remaining funds in the depositor's MMDA are swept back into the checking account.

Retail sweep programs, which were initiated in January 1994, differ from wholesale sweep programs, which have been in existence since the 1970s. In a wholesale sweep, a depository institution sweeps funds in a business's demand deposit account into one of several types of money market instruments, such as repurchase agreements, Eurodollar deposits, or money market mutual funds. For wholesale sweeps, the instruments into which business deposits are swept may or may not be liabilities of the depository institution; for retail sweeps, on the other hand, the swept funds remain on the books of the depository institution.

The Response of Required Clearing Balances

For many depository institutions, the cuts in reserve requirement ratios and the introduction of sweep programs have brought their reserve-requirement-related demands for balances below their payment-related demands. For such an institution, setting a target end-of-day balance equal only to its required reserve balance would provide insufficient protection against overnight overdrafts, yet setting a target balance equal to its payment-related demand would result in excess reserves, on which it earns no interest. The institution may have another alternative: Any depository institution that uses Federal Reserve priced services (such as check clearing or electronic payment services) may establish a required clearing balance at its Federal Reserve Bank. The institution contracts with the Reserve Bank to hold a specified level of balances on average during the reserve maintenance period.[17] In return, the depository institution earns implicit interest, in the form of earnings credits, on balances held to satisfy its clearing balance requirement. It may use the earnings credits to defray the cost of the Federal Reserve services it uses. If the depository institution fails to maintain its contracted clearing balance, on average, over the maintenance

16. The Federal Reserve does not collect data on the actual amount of deposits swept each day. Nor does it officially collect information on the initiation of retail sweep programs. It learns about the initiation of programs through notification by depository institutions and through routine inspection of deposit data submitted by depository institutions. It obtains estimates of initial amounts swept directly from the depository institutions or from the deposit data and then sums these estimates to arrive at a total.

17. The Federal Reserve will also impose a required clearing balance on any depository institution that has a history of repeated overnight overdrafts.

period, the deficiency is subject to a charge.[18] Required clearing balances are similar to required reserve balances in that they establish an average balance that must be maintained over the reserve maintenance period. For this reason, required clearing and required reserve balances are often summed, and that sum is referred to as total required balances.

The use of required clearing balances has grown considerably since 1990 (chart 1, middle panel). These balances rose sharply in response to the 1990 cut in reserve requirement ratios and the general downtrend in market interest rates occurring at that time.[19] More recently, depository institutions that implemented sweep programs increased their required clearing balances an estimated $3⅓ billion between January 1994 and August 1997. The rise in required clearing balances has not matched the decline in required reserve balances, however, in part because depository institutions do not need as large a cushion to protect against overnight overdrafts as was once provided by their required reserve balance. Also, the growth of required clearing balances at some depository institutions is limited by the extent to which the institution uses Federal Reserve priced services.[20] Thus, the drop in total required balances at the Federal Reserve is smaller than the decline in required reserve balances. However, total required balances remain at historically low levels (chart 1, bottom panel) and are likely to decline somewhat further as additional depository institutions implement retail sweep programs.

The Current Environment: Low Total Required Balances

Low total required balances give depository institutions less flexibility in managing their daily balance positions and thus do not provide a buffer for the federal funds rate as high total required balances do. When its total required balance is low, a depository institution is less able to substitute balances across days of the maintenance period. It is less likely to hold a balance above its total required balance because its ability to target lower balances on subsequent days is constrained by the increased risk of an overnight overdraft; therefore, it will actively seek to lend any extra balances, on which it earns no interest, even if the funds rate is already low. It is also less likely to tolerate a balance below its total required balance because it is more likely to be close to an overdraft; therefore, it will seek to borrow balances, and even a small shortfall can trigger aggressive bidding for balances at the Federal Reserve that can, in turn, push up the federal funds rate.[21]

In addition, when a depository institution's total required balance is low, its targeted balance at the Federal Reserve is likely to fluctuate more from day to day. Its payment-related demand for balances may more often exceed its demand for balances to meet its total balance requirement. Payment-related demand is a precautionary demand for end-of-day balances that must be met each day, and the magnitude of that demand depends on the uncertainty about the size and timing of payments flowing through the institution's Federal Reserve account.[22] The uncertainty appears to be related to the volume of the payments. This volume likely fluctuates considerably each day, as suggested by the aggregate data shown in chart 2. With uncertainty varying from one day to the next, a depository institution's payment-related demand and

18. The penalty for failing to meet the required clearing balance, after application of the so-called clearing balance band, is 2 percent per annum on any deficient amount that is 20 percent or less than the contracted clearing balance requirement and 4 percent per annum on any remaining deficiency. The clearing balance band exempts from charge 2 percent of the contracted clearing balance or $25,000, whichever is greater.

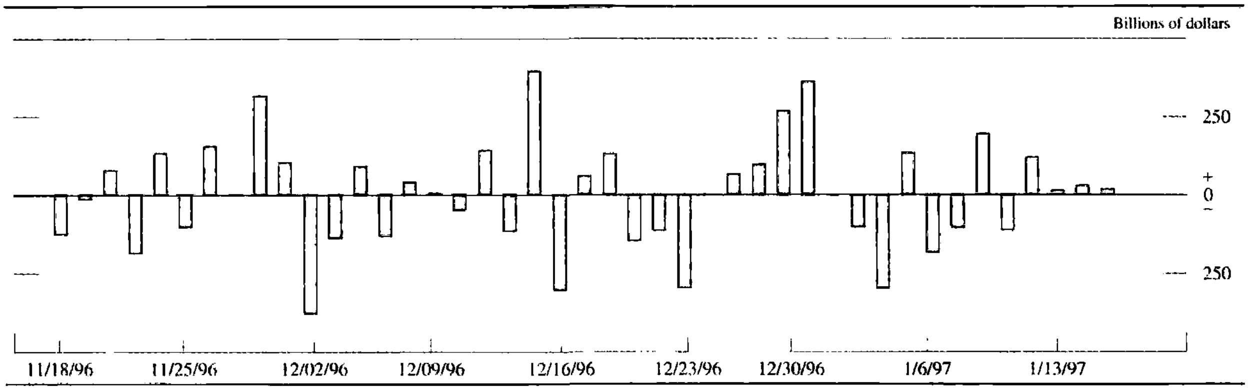
19. Required clearing balances are sensitive to the level of interest rates because the earnings credits generated from the clearing balance are calculated using the period-average effective federal funds rate. For a more detailed discussion of required clearing balances, see E.J. Stevens, "Required Clearing Balances," Federal Reserve Bank of Cleveland *Economic Review*, vol. 29 (1993 Quarter 4), pp. 1–14.

20. A depository institution is better off holding excess reserves, which can be adjusted daily, than contracting to hold a required clearing balance that generates more credits than it can use. The opportunity cost of holding excess reserves and excess clearing balances is the interest forgone on those balances, but the clearing balance locks the depository institution into holding a specified amount during the maintenance period and makes any deficiency subject to a charge. Depository institutions have one year to use the credits earned during a maintenance period.

21. An overnight overdraft is charged at an annual rate equal to the day's effective federal funds rate plus 4 percentage points. If the depository institution incurs more than three overnight overdrafts in a moving twelve-month period, the spread over the funds rate rises by 1 percentage point for each additional overdraft.

22. At the end of the day, depository institutions still face some uncertainty about their final balance. Responses to the Federal Reserve's May 1996 Senior Financial Officer Survey indicated that the posting of off-line transactions after the close of the electronic funds transfer system and the possibility that corrections to earlier entries might result in a lower balance were very important reasons for not targeting a lower end-of-day balance in their Federal Reserve accounts.

3. Daily change in total volume of credits posted to the Federal Reserve accounts of all depository institutions, November 1996–January 1997



its targeted balance at the Federal Reserve can vary substantially each day as well.

Implications for Open Market Operations

The Desk attempts to attain a level of nonborrowed reserves over a reserve maintenance period that is consistent with the FOMC's targeted federal funds rate. When planning open market operations, it has always paid attention to the daily pattern of reserve needs. Now, with total required balances low, the daily estimates are playing an even more important role in decisionmaking. The Desk now also reviews forecasts of the total amount of balances at the Federal Reserve for the day and for future days. During maintenance periods when total required balances are especially low, the Desk conducts open market operations to smooth low points in the estimated daily level of total balances. In addition, as it always has, it attempts to supply more reserve balances on days when the payment-related demand for balances is expected to be elevated. These additional considerations have resulted in an increase in the number and volume of overnight repurchase agreements arranged in 1996 and thus far in 1997 (table 4).[23] An overnight operation is a more effective means of fine tuning the daily level of balances than is a term or outright operation and better addresses heightened payment-related demands.

There is indirect evidence that on certain days payment-related demand is an especially important determinant of the total demand for balances at the Federal Reserve. Data on credits posted to the Federal Reserve accounts of depository institutions suggest that payment flows are heaviest on the first business day, the fifteenth calendar day, and the last business day of the month. On these days, depository institutions face more uncertainty about their end-of-day balances. Some depository institutions respond by targeting a higher balance. The Desk seeks to provide balances more generously on these days. However, the exact magnitude of payment-related demand is hard to measure and to estimate. Moreover, even if it were to supply a quantity of balances that exactly matched aggregate demand, the Desk could not ensure that the supply to each institution would exactly match its demand. For these reasons, the federal funds rate may exceed the FOMC's target on these days. Generally, however, the Desk is able to keep the effective federal funds rate (the volume-weighted average rate paid on all transactions during the day) close to the FOMC's target rate.

4. Temporary open market operations, 1990–97

Year	Overnight repurchase agreements		Term repurchase agreements		Matched sale–purchase transactions	
	Number of market entries	Volume (billions of dollars)	Number of market entries	Volume (billions of dollars)	Number of market entries	Volume (billions of dollars)
1990	93	253.5	34	136.4	22	76.8
1991	108	320.2	34	188.5	34	78.8
1992	89	254.5	56	278.9	20	28.6
1993	83	266.7	82	361.0	5	10.9
1994	80	217.6	66	257.1	5	13.1
1995	68	206.3	61	248.8	17	48.6
1996	92	347.5	70	250.3	23	52.9
1997	91	351.5	59	296.5	0	. .

Note. Data for 1997 are through September 24.

23. An overnight operation matures on the next business day. The increased use of overnight repurchase agreements is also discussed in "Open Market Operations during 1996," *Federal Reserve Bulletin*, vol. 83 (July 1997), pp. 565–74.

Implications for the Federal Funds Rate

Low total required balances, together with the difficulty of gauging the size of payment-related demand, can lead to greater volatility in the federal funds rate, both during a day and across days.[24] For example, the 1990 cut in reserve requirement ratios brought required reserve balances below the payment-related demand for balances, and funds rate volatility rose significantly (chart 3). The time between the announcement and implementation of the cut was quite short. Many large depository institutions had no experience managing their end-of-day balances at the Federal Reserve with total required balances as low as they were after the cut. Depository institutions responded by holding on to their balances until late in the day, when their need for balances to avoid an overnight overdraft became clearer. The funds rate would remain above the FOMC's target until that time, and then, when depository institutions entered the market to try to lend their excess balances, it would drop sharply. At the same time, the acute reluctance of depository institutions to borrow at the discount window also contributed to the volatility. On days when balances were in short supply, depository institutions bid the funds rate to very high levels rather than borrow at the window.[25]

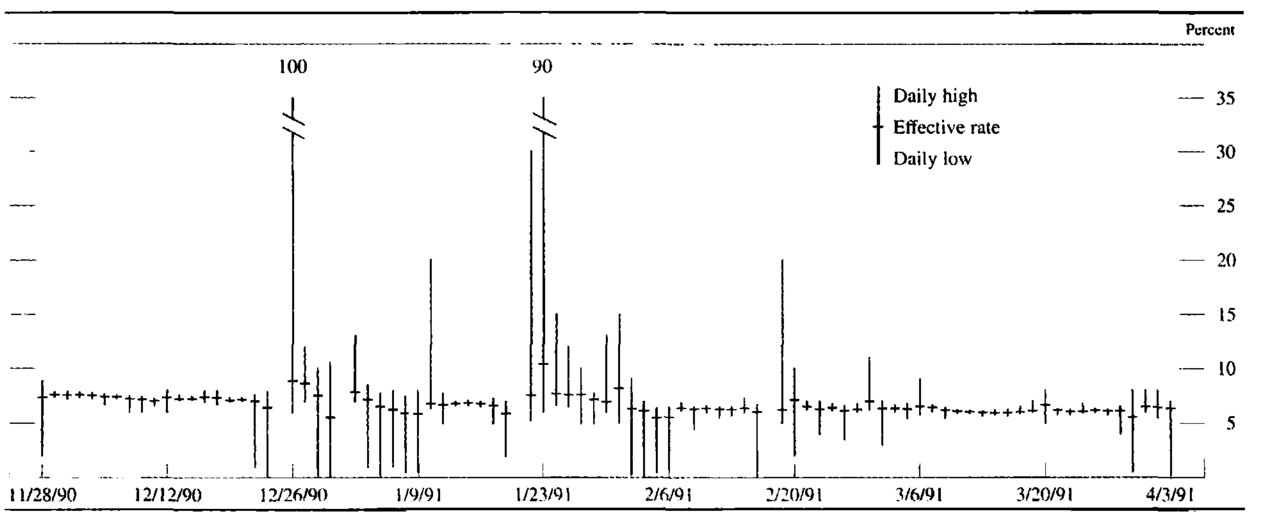
The level at which total required balances can trigger a rise in funds rate volatility is not clear. Since late 1996, for example, total required balances have been below their 1991 levels, yet funds rate volatility has failed to rise significantly.[26] Apparently, total required balances are sufficiently above the payment-related demand for balances to keep the funds rate relatively stable. The payment-related demand for balances is likely lower now than it was in 1991. Depository institutions have improved their own internal information systems as well as their proficiency in using real-time information on the balances in their Federal Reserve accounts available through the Federal Reserve's Account Balance Monitoring System. In addition, the imposition of fees for daylight overdrafts has encouraged depository institutions to manage their balances more closely during the day. In the future, the payment-related demand for balances may continue to fall. Interstate branch banking may contribute to lower payment-related demand because separately chartered affiliate banks of a single bank holding company are being merged into a single interstate branched bank with one Fed-

24. See James A. Clouse and Douglas W. Elmendorf, "Declining Required Reserves and the Volatility of the Federal Funds Rate," Finance and Economics Discussion Series Paper 1997-30 (Board of Governors of the Federal Reserve System, Divisions of Research and Statistics and Monetary Affairs, June 1997). The authors present a model of a depository institution's demand for balances that distinguishes requirement-related demand from payment-related demand. They also explore the differing behavior of the funds rate in 1991 and 1996.

25. Some of the bidding pressure also came from depository institutions that apparently had little or no collateral on deposit with a Federal Reserve Bank and therefore could not borrow readily. See "Monetary Policy and Open Market Operations during 1990," Federal Reserve Bank of New York *Quarterly Review*, vol. 16 (Spring 1991), pp. 52–78.

26. See also Paul Bennett and Spence Hilton, "Falling Reserve Balances and the Federal Funds Rate," Federal Reserve Bank of New York *Current Issues in Economics and Finance*, vol. 3 (April 1997), pp. 1–6.

3. Daily range for the federal funds rate, November 1990–April 1991



NOTE. Effective rate is the volume-weighted average rate paid on all transactions during the day.

5. Daily average volatility of the federal funds rate, 1994–97

Percentage points

Measure	1994	1995	1996	1997
Range	1.35	1.06	1.87	1.54
Intraday standard deviation	.19	.15	.23	.19
Late range	1.16	.89	1.56	1.35

NOTE. Values for 1997 are based on data through September 24. Range is the difference between the highest and lowest rate at which federal funds lending took place in the brokers market. Intraday standard deviation is a volume-weighted standard deviation of all rates paid in the brokers market. Late range is the difference between the highest and lowest rate at which federal funds lending took place in the brokers market between the close of the New York Clearing House Interbank Payments System (usually 4:30 p.m.) and the close of funds trading (usually 6:30 p.m.)

eral Reserve account. Before interstate branching, each affiliate account had to end the day with a nonnegative balance; under interstate branching, the transactions of all affiliates (now branches) flow through only one account.

The variability in the federal funds rate in recent years is summarized in table 5. In 1996, the daily trading range for federal funds widened, on average, as did an alternative measure, the intraday standard deviation of the funds rate. However, both measures indicate that volatility tapered off during the first nine months of 1997. Overall, the slight increase in the intraday variability of the funds rate has not had adverse effects on the Desk's ability to attain the FOMC's funds rate target; nor has the rise in variability affected other market interest rates more generally.

Additional sweep programs are expected to be implemented, and it is not clear whether their proliferation might eventually lower total required balances to the point that payment-related demand is routinely larger than requirement-related demand. If that does happen, the federal funds rate could become more volatile, and depository institutions may have to change the way they manage their account balances. Especially if that volatility is passed on to other market interest rates, the Federal Reserve might need to alter the way it operates in the funds market. One way to forestall the need to make such changes would be to pay interest on balances held at the Federal Reserve. Payment of a market rate of interest on required reserve balances would virtually eliminate the implicit current tax on depository institutions, likely encouraging some depository institutions to discontinue their sweep programs. However, the payment of interest on Federal Reserve balances requires legislation.

SUMMARY

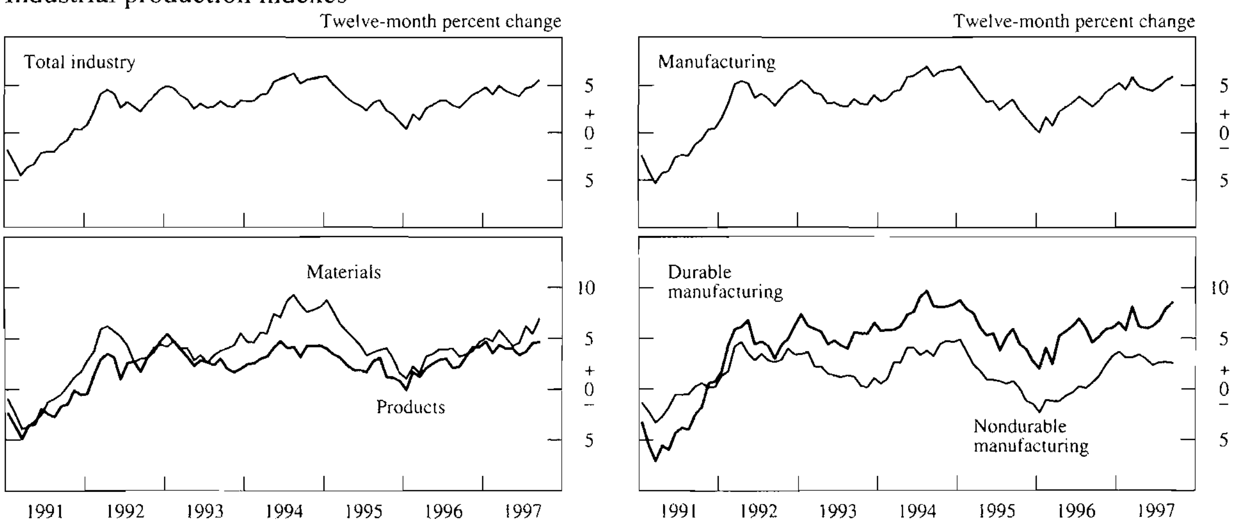
Open market operations are the principal tool used by the Federal Reserve to implement monetary policy. They are a powerful and flexible means of fostering conditions in the federal funds market that are consistent with policy objectives. The conduct of open market operations in the 1990s has been shaped by a number of factors, including shifts in the way the FOMC communicates changes in the stance of monetary policy, developments in the market for repurchase agreements, and changes in the demand for balances at the Federal Reserve. In the years ahead, the Federal Reserve will undoubtedly continue to adapt the way it conducts open market operations as financial markets evolve. □

Industrial Production and Capacity Utilization for September 1997

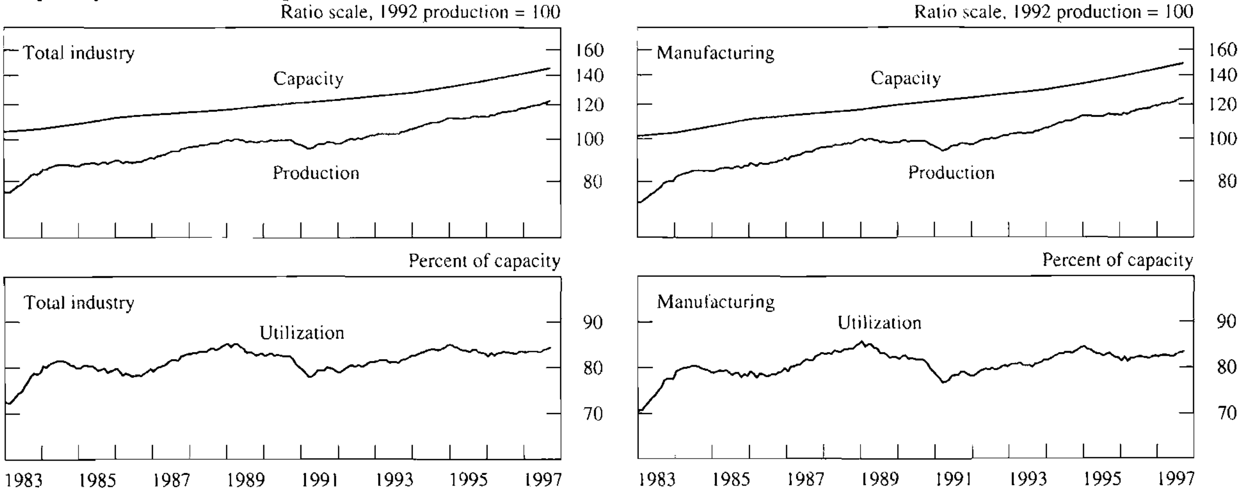
Released for publication October 17

Industrial production rose 0.7 percent in September, boosted by a 4.4 percent jump in the output of utilities. The growth of total output was revised upward for July, to 0.8 percent, and downward for August, to 0.5 percent; these revisions were concentrated in the industrial sector producing materials for further processing. In September the demand for electricity rebounded after decreasing in August, when unseasonably cool weather held down the need for air conditioning. Manufacturing output increased 0.4 percent, with substantial gains in the output of light trucks, computers, commercial aircraft and parts, and semiconductors. The output at mines decreased 0.5 percent. At 122.4 percent of its 1992 average, industrial production in September was 5.5 percent higher than in September 1996. The utili-

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, September 1997

Category	Industrial production, index, 1992=100								
	1997				Percentage change				
					1997[1]				Sept. 1996 to Sept. 1997
	June[r]	July[r]	Aug.[r]	Sept.[p]	June	July	Aug.[r]	Sept.[p]	
Total	**119.9**	**120.9**	**121.5**	**122.4**	**.3**	**.8**	**.5**	**.7**	**5.5**
Previous estimate	119.9	120.4	121.3		.3	.4	7		
Major market groups									
Products, total[2]	116.0	116.5	117.3	117.9	.1	.3	.8	.5	4.6
Consumer goods	112.3	112.6	113.2	114.0	−.2	.3	.5	.7	3.2
Business equipment	137.4	139.0	142.1	142.1	.9	1.2	2.2	.0	10.8
Construction supplies	120.6	119.8	120.9	121.0	.0	−.7	.9	.1	1.1
Materials	126.0	128.0	128.2	129.6	.6	1.6	.1	1.1	6.9
Major industry groups									
Manufacturing	121.6	122.7	123.6	124.2	.5	.9	.8	.4	5.8
Durable	134.1	135.5	137.5	138.0	1.0	1.1	1.5	.4	8.5
Nondurable	108.4	109.2	109.0	109.6	−.2	.7	−.1	.5	2.6
Mining	107.8	107.6	106.3	105.8	−.2	−.2	−1.1	−.5	2.3
Utilities	111.7	112.7	111.4	116.3	−.7	.9	−1.2	4.4	4.7

	Capacity utilization, percent								Memo Capacity, percentage change, Sept. 1996 to Sept. 1997
	Average, 1967–96	Low, 1982	High, 1988–89	1996	1997				
				Sept.	June[r]	July[r]	Aug.[r]	Sept.[p]	
Total	**82.1**	**71.1**	**85.3**	**83.1**	**83.5**	**83.9**	**84.1**	**84.4**	**3.9**
Previous estimate					83.5	83.6	83.9		
Manufacturing	81.2	69.0	85.7	82.1	82.5	82.9	83.3	83.4	4.2
Advanced processing	80.6	70.4	84.2	80.2	80.6	81.0	81.5	81.4	5.2
Primary processing	82.3	66.2	88.9	86.6	86.9	87.3	87.3	87.7	2.3
Mining	87.5	80.3	86.8	91.0	94.2	93.8	92.6	92.0	1.1
Utilities	87.2	75.9	92.6	88.6	87.9	88.5	87.4	91.2	1.7

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

zation of industrial capacity rose to 84.4 percent—its highest rate since February 1995.

Market Groups

The output of consumer goods rose 0.7 percent. Much of the gain resulted from heavier use of electricity by residential users and increased output of light trucks. Gains in the production of clothing, paper products, and chemical products for consumer use were partially offset by a decline in appliances. The output of business equipment was unchanged in September after twelve months of steady increases. Further advances in the production of computers and commercial aircraft boosted the growth rates for information processing and transit equipment. However, the output of industrial and other equipment fell back after an unusually strong gain in August.

The production of business supplies and of materials rose about 1 percent, and the output of construction supplies edged up. Durable materials advanced on the continued strength in semiconductors and a pickup in basic metals, mainly steel. Rebounds in paper, textiles, and chemicals restored the output of nondurable materials to near its July level. The output of energy materials rose sharply, principally because of the rebound in electricity generation.

Industry Groups

The increase in manufacturing production of 0.4 percent was about half the average pace of the previous two months; the increase was evenly spread between durables and nondurables. Among durables, the strongest advances came in furniture, iron and steel, computers, semiconductors, and aerospace and miscellaneous transportation equipment. The effect of these gains was blunted by a substantial loss in industrial machinery excluding computers and office equipment and by small losses in instruments and miscellaneous manufacturing. Gains in paper, chemicals, and petroleum refining boosted the output of the nondurables.

Capacity utilization for manufacturing rose 0.1 percentage point, to 83.4 percent—its highest level since April 1995. Utilization in primary processing rose 0.4 percentage point, while the rate in advanced processing declined 0.1 percentage point. The utilization rates in both the primary-processing and advanced-processing groups have risen more than 1.0 percentage point in the past twelve months.

REVISION OF INDUSTRIAL PRODUCTION AND CAPACITY UTILIZATION

The Federal Reserve will publish revisions of its measures of industrial production (IP), capacity, capacity utilization, and industrial use of electric power at the end of November. The revisions will begin with data for 1992 and will incorporate updated source data for recent years.

The regular updating of source data for IP will include annual data from the *1995 Annual Survey of Manufactures* and from selected *1996 Current Industrial Reports* both from the Bureau of the Census. Annual data from the Department of the Interior on metallic and nonmetallic minerals (except fuels) for 1995 and 1996 will also be introduced. Revisions to the monthly indicators for each industry (physical product data, production-worker hours, or electric power usage) and revised seasonal factors will be incorporated. Capacity and capacity utilization will be revised to incorporate preliminary data from the *1995/96 Survey of Plant Capacity* from the Bureau of the Census. The statistics on the industrial use of electric power will incorporate more complete reports received from utilities for the past few years as well as data from the *1995 Annual Survey of Manufactures.*

The revised data will be available on the Board's World Wide Web site, http://www.bog.frb.fed.us, on diskettes from the Board's Publications Services, 202-452-3245, and through the Economic Bulletin Board of the Department of Commerce. For information about the Bulletin Board, call 202-482-1986. For information on these revisions, call the Federal Reserve's Industrial Output Section, 202-452-3197. □

Statements to the Congress

Statement by Alice M. Rivlin, Vice Chair, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic and International Monetary Policy of the Committee on Banking and Financial Services, U.S. House of Representatives, September 16, 1997

I welcome this opportunity to discuss the payments system and the Federal Reserve's role in it. A convenient, safe, reliable means of making payments is extremely important to all of us in our daily economic lives, but most of us do not think about it very often. We pay our bills by cash, check, credit card, or debit card; we have our pay deposited directly in our bank accounts and transfer funds by computer or telephone. We assume the money will get where it is supposed to go quickly and without complications. We do not spend time thinking about how that happens.

Similarly, ensuring the efficiency, reliability, and integrity of the nation's payments system is a big part of the responsibility the Congress has given to the Federal Reserve, but neither the Congress nor the public usually devotes attention to the Federal Reserve's role in the payments system. The Federal Reserve's monetary policy role tends to dominate the headlines and the hearings.

As this subcommittee is acutely aware, enormous changes are occurring in the U.S. financial services industry. Breathtaking developments are taking place in computing and communications technology. Consolidation and interstate banking are changing the structure of the banking industry, and lines are blurring between banking and other types of financial services. Because these changes could profoundly affect payments mechanisms in the future, it is a timely moment to reexamine the part the Federal Reserve plays in payments and whether that role ought to be altered. With this in mind, last fall, Chairman Greenspan asked me to chair the Committee on the Federal Reserve in the Payments Mechanism. Besides myself, the committee members are Governor Edward W. Kelley and Federal Reserve Bank Presidents William McDonough of New York and Thomas Melzer of St. Louis. Our mandate is to examine how the payments system is evolving and what part the Federal Reserve might play in the future. The process is ongoing, but I welcome the opportunity to share with you some of what we have learned and some preliminary conclusions.

My testimony is in two parts. The first presents some background on the payments system and the evolution of the Federal Reserve's role in it (a more detailed description of noncash payment instruments and their processing is given in Appendix 1).[1] The second part of the testimony discusses the work of our committee, especially the scenarios we developed and the reactions we received from participants in a series of forums on the payments system.

In addition, Appendix 2 provides a description of a small part of the Federal Reserve's check processing operation, the Interdistrict Transportation Service, in which some members have expressed interest, as well as our views on H.R.2119.

PART I: THE FEDERAL RESERVE'S ROLE IN AN EVOLVING PAYMENTS SYSTEM

A large and vibrant economy requires a staggering number of payments. In the United States, hundreds of millions of payments with a combined value of about $1.7 trillion are made every day. Although a majority of transactions are made in currency or coin, cash actually accounts for only a tiny fraction—less than 1 percent—of the value of payments.

Noncash payments can be roughly divided into two categories: (1) wholesale or large dollar transactions made primarily by banks, businesses, and governments and (2) retail or smaller dollar payments made by individuals, businesses, and other participants in the economy.

Wholesale payments, which have been growing rapidly in recent years, move over two systems: the Fedwire electronic funds transfer system operated by the Federal Reserve and the Clearing House Interbank Payments System (CHIPS) operated by the New York Clearing House. CHIPS is used primarily to make international interbank payments. The Fed

1. The attachments to this statement are available from Pulications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

eral Reserve also operates the Fedwire book-entry securities service, which is used to transfer U.S. Treasury, federal agency, and mortgage-backed securities.

The security and reliability of these large-value systems is crucial to the functioning and stability of the financial system, both national and international, but the role of the Federal Reserve, as the nation's central bank, in providing for wholesale payments and final settlement is not controversial. Hence, this testimony, like the work of our committee, focuses entirely on retail payments.

Retail Payments: Check and ACH

The most common noncash payment instrument in the United States is the paper check, used much more widely here than in other industrial economies. Americans love checks. We wrote 64 billion of them in 1996 with a total value of about $75 trillion dollars. Pundits have been predicting the replacement of checks by electronic payments for several decades, and, indeed, electronic transactions have been increasing much faster in recent years than checks. Nevertheless, the volume of checks has continued to increase about 2 percent annually over the past five years. Growing use of credit and debit cards has slowed the increase in check volume but so far has not reversed it. On-line home banking still accounts for a tiny fraction of payments. Moreover, the customer's bill paying instruction from a home computer often simply results in the bank cutting a check to pay the customer's bill because many payees are not equipped to receive funds electronically. Hence, while the volume of checks is likely to plateau and eventually decline as electronic payments become increasingly convenient and familiar, checks are likely to remain a significant part of the payments system for some years to come.

A rapidly growing number of retail payments are made by electronic funds transfers over an automated clearinghouse (ACH) network. ACH is typically used for recurring payments, such as direct deposit of payroll and social security or direct payment of recurring bills, such as mortgage, insurance, and utility bills. Almost every depository institution in the United States is equipped to receive ACH payments for its customers, although not all are equipped to send them. Although the number of ACH transactions is small compared to the number of checks (4 billion transactions in 1996, compared to 64 billion checks) that number has been increasing much faster (about 15 percent annually for the past decade), and the average value of ACH transactions is higher than that of checks.

How the Federal Reserve Became Involved

Although most people now take a reliable payments system for granted, this was not always so. The severe financial crises that swept the nation periodically in the nineteenth and early twentieth centuries typically disrupted the payments system. During the financial panic of 1907, payments were largely suspended throughout the country because many banks and clearinghouses refused to clear checks drawn on certain banks. The refusals led to the failure of otherwise solvent banks and greatly exacerbated the impact of the crisis on businesses and individuals.

The Congress's desire to avoid another 1907-type failure of the national payments system was one of the important reasons for creating the Federal Reserve System in 1913. The Federal Reserve Act directed the Federal Reserve to provide an elastic currency—that is, to supply currency in the quantities demanded by the public—and also gave it the authority to establish a nationwide check clearing system. The Congress was also concerned that some banks refused to pay the full amount of the check (nonpar collection) and that some charged certain collecting banks fees to pay checks (presentment fees). In 1917, it amended the Federal Reserve Act to prohibit banks from charging the Federal Reserve Banks presentment fees.

The Congress modified the Federal Reserve's role in the payments system through the Monetary Control Act of 1980 (MCA). A primary purpose of the MCA was to promote an efficient nationwide payments system by encouraging competition between the Federal Reserve and the private-sector providers of payment services. The MCA requires the Federal Reserve Banks to charge fees for their payment services, which must, over the long run, be set to recover all direct and indirect costs of providing the services. In addition, the MCA requires the Federal Reserve Banks to recover imputed costs, such as taxes and the cost of capital, that would have been paid and imputed profits that would have been earned if the services were provided by a private firm. The MCA also subjected all banks, not just member banks, to reserve requirements and granted them equal access to the Federal Reserve Banks' payment services.

The Congress further expanded the role of the Federal Reserve in the payments system in 1987, when it enacted the Expedited Funds Availability Act (EFAA). For the first time, this act gave the Federal

Reserve the authority to regulate check payments that were not processed by the Federal Reserve Banks. Thus, the EFAA significantly broadened the Federal Reserve's ability to ensure that the nation's check collection system is efficient and that all depository institutions have equitable access to the system. The act also limited the time that a bank may hold funds before making them available to customers for withdrawal and directed the Federal Reserve to speed the process of returning unpaid checks to banks of first deposit to reduce the risk that banks face when making funds available to their depositors.

Thus, by a series of legislative actions, the Congress has clearly placed responsibility on the Federal Reserve to ensure the following:

- The integrity of the payments system—its safety and reliability
- The accessibility of the payments system—that it is available to all depository institutions so that they can provide for the payments needs of their customers
- The efficiency of the system—that the cost of making payments is reduced as much as possible.

To accomplish these goals, the Congress has given the Federal Reserve regulatory authority, as well as directed it to encourage efficiency by competing fairly with private-sector suppliers of payment services. Thus, its payments system missions are a complex and challenging part of the Federal Reserve's responsibilities.

The Federal Reserve's Role in Check Clearing

Of the roughly 64 billion checks written annually, about a third are "on-us" checks (the payor and payee have accounts at the same bank), but the rest must be cleared and settled in the interbank check collection market. Most checks are physically transported and presented to the paying bank for payment, although the use of electronic check presentment (ECP) is growing. Under ECP, the information contained on the check is transmitted to the paying bank, with the actual check often following by slower means.

Some checks are presented directly by one bank to another. About a quarter are presented in clearinghouse arrangements under which a group of banks agree on rules for presenting checks to each other simultaneously. Another quarter of interbank checks are collected by correspondent banks on behalf of other banks. The Federal Reserve serves as an intermediary for the collection of about a third of interbank checks. Small banks, especially those in remote locations, depend more heavily on the Federal Reserve for check collection than do big banks in larger cities.

Over the years, competition among providers of check services and advances in technology have made the check collection process much speedier and less costly. Many of us can remember when it took quite a few days—often more than a week—for a check to clear, especially if drawn on a bank in a remote location. Now the Federal Reserve is able to collect more than 90 percent of the value of all checks deposited with it within one day after they are deposited in the collecting bank.

The Federal Reserve has used both its regulatory powers and its market presence to encourage technological advance and efficiency in the check market. Since the early 1980s, Reserve Banks have been able to provide check presentment information to paying banks electronically, which enables their corporate customers to manage the funds in their accounts more effectively. The Reserve Banks have recently been working with many of their customers to increase the use of ECP. The Federal Reserve has also invested in this development of new techniques for using digital images in check processing. The Federal Reserve Banks are implementing an image-enhanced check service for the U.S. Treasury and are offering this service to banks as well.

The Federal Reserve in the ACH Market

While electronic technology offers some scope to make check presentment more efficient, fully electronic payments are both faster and cheaper. The ACH service, which the Federal Reserve began providing in 1972 at the request of local ACH associations, is now a fully electronic system reaching nearly every depository institution in the United States. There are currently four ACH operators that process and transmit ACH transactions between depository institutions—the Federal Reserve and three commercial providers. The Federal Reserve is by far the largest provider, processing about 80 percent of commercial ACH transactions in 1996 and all of the government ones. As with check collection, depository institutions rely on the Federal Reserve to deliver ACH transactions to small and remote banks. The commercial ACH providers serve a limited set of institutions and rely on the Federal Reserve to deliver ACH transactions to banks not served by their networks. In 1996, the Reserve Banks implemented a new consolidated ACH operating system, which enables transactions to be processed on a flow basis and which operates twenty-four hours a day. This new operating system has increased the efficiency of ACH processing and reduced operating costs significantly. These lower costs have been passed along to customers in lower fees.

Prices and Costs

In passing the Monetary Control Act (MCA), the Congress intended to promote the efficiency of the payments system by encouraging competition between the Federal Reserve and private-sector providers, and, indeed, private-sector providers have competed vigorously with the Federal Reserve. Opening access to Federal Reserve payment services to all banks has also contributed to a more equitable payments system and has played a role in spurring competition. As a result, on average, the cost of payment services has declined, and the quality of payment services has increased.

Over the past ten years, the Federal Reserve has fully recovered the total costs of its priced services, including imputed costs as required by the Monetary Control Act. In 1996, the Federal Reserve recovered 103.4 percent of the total costs of its priced services. Moreover, because fees are set to recover not only all actual costs but also imputed costs and a profit margin, the revenues from the Federal Reserve's priced services have exceeded operating costs by almost $1 billion over the past decade. These net revenues contribute to the amount the Federal Reserve transfers to the Treasury to the benefit of the U.S. taxpayers.

Shortly after the MCA was enacted, the Board of Governors adopted pricing principles that are more stringent than the requirements of the MCA and that require the Federal Reserve Banks to recover priced service costs, not just in the aggregate, but for each major service category. Our check service, for example, has fully recovered its costs over the past ten years.

In setting fees, the Federal Reserve's staff applies the principles of economic theory and considers the practices of private-sector providers of payment services. For instance, in most cases, the Reserve Banks have implemented fee structures that resemble the cost structure of each priced service. Because the costs associated with payment services tend to be dominated by fixed costs, the Federal Reserve typically uses a combination of fixed and variable fees to price its services. Thus, the fee schedule for the check service includes fixed fees, called cash letter fees, for each bundle of checks deposited with a Federal Reserve office and per-check or per-item fees. In addition, all transaction fees are set to recover at least the marginal or incremental cost of each transaction, which precludes the Reserve Banks from engaging in predatory pricing and promotes competition.

Allocating costs for the shared parts of the Federal Reserve's operations is a complex and difficult matter, especially when large fixed costs have to be allocated among several activities. There is no perfect solution to this problem, but the Federal Reserve's methodology has been scrutinized by the General Accounting Office and other experts and has been declared "reasonable." We stand ready to discuss our cost and pricing methodology with the committee or with outside experts if the committee would like more detailed information.[2]

PART II: THE COMMITTEE'S STUDY ON THE FEDERAL RESERVE IN THE PAYMENTS SYSTEM

As discussed earlier, Chairman Greenspan created a committee to examine the Fed's role in the payments system. The committee believed that the rapid changes occurring in financial services called for a fundamental review of the role of the Federal Reserve in the payments system and a thorough discussion of how alternative roles might enhance or undermine the integrity, efficiency, and accessibility of the system. We decided to focus on retail payments because they affect so many people and businesses directly and because the case for a continuing role of the central bank in retail payments is more controversial than the case for a role in wholesale payments.

The committee did not regard the retail payments system as "broken" or in any kind of crisis. Almost all users and participants think it functions just fine. Nevertheless, one anomaly is striking: Why does the nation with the most advanced computers in the world rely so heavily on paper to make payments? Why do Americans write 64 billion paper checks a year—checks that have to be trucked and flown to their destinations—when these payments could be made cheaper and faster by electronic means? How might different roles of the Federal Reserve accelerate or retard movement to electronic payments?

2. Appendix 2 discusses the Interdistrict Transportation System and how its costs and fees are set. It also discusses the implications H.R.2119, "The Efficient Check Clearing Act of 1997," for the Federal Reserve's check service.

To spark discussion and analysis of these and other payments system issues, the committee developed five hypothetical scenarios for the future role of the Federal Reserve in retail payments ranging from exiting check and ACH services altogether to becoming a more vigorous competitor and industry leader. These scenarios were not designed to be actual policy options but were intended to serve as catalysts for debate both within the Federal Reserve and among payments system participants.

One scenario under which the Federal Reserve would withdraw from the check and ACH services was called the *Liquidation* scenario. In this scenario, the Federal Reserve would announce its intention to withdraw from the provision of check and ACH services as of a specified date. During the wind-down period, the Federal Reserve would take steps to provide for a smooth transition. It would assist its customers in finding alternative private-sector suppliers of payment services and would help potential private-sector providers evaluate the profitability of serving various markets by providing market data to them.

A second withdrawal scenario envisioned the Federal Reserve's privatizing its check and ACH services. In the *Privatization* scenario, the Federal Reserve would first transfer its check and ACH operations to a newly chartered, special purpose "Clearing Bank." The Clearing Bank would eventually be sold to a private-sector entity with no privileged ties to the Federal Reserve nor any restrictions on the type of payment services that it could provide.

Three scenarios under which the Federal Reserve would continue to provide retail payment services to banks varied from the Federal Reserve's adopting a passive role in providing check and ACH services to an active role in promoting the conversion of payments to electronic forms. In the scenario called *Continuity and Access,* the Federal Reserve would merely ensure that all depository institutions had access to its retail payment services. For the most part, the Federal Reserve would allow initiatives by private-sector providers to determine the future course of the retail payments system, and competition among those providers of payment services would provide the primary catalyst for innovation. Because the Federal Reserve would not be an aggressive competitor in the retail payments market, adopting this scenario would likely lead to the Federal Reserve's slowly exiting the retail payment services over the long run.

In the scenario called *Promoting Efficiency,* the Federal Reserve would use its operational presence, pricing strategies, and influence to enhance the efficiency of the interbank retail payments system. Under this scenario, the Federal Reserve would also take steps to foster innovation by private-sector providers. In the final scenario, called *Leading Toward Electronic Payments,* the Federal Reserve would expedite the movement to an electronic retail payments system. In this case, the Federal Reserve would fund research and development and make additional capital investments in payments system improvements; develop an expanded national payments infrastructure; provide access to the Federal Reserve's secure interbank communications network to depository institutions at incremental cost; and work with providers and vendors to develop more flexible, convenient, and effective software and systems to facilitate electronic transactions.

We asked experts at the Federal Reserve to analyze the impact of each scenario on the price, availability, and structure of payments services and then sought input and reactions from a wide range of payments system participants.

We discussed the scenarios during ten national forums that were held in May and June 1997. The national forums were moderated by an independent facilitator and attended by committee members. Nearly 100 organizations participated in these forums, including representatives of banks, thrift institutions, and credit unions of all asset sizes; third-party service providers; clearing associations; trade associations representing banks, thrift institutions and credit unions, consumers, and retailers; and academics and consultants among others. The discussion at these forums was focused on how the various scenarios would affect the price and availability of retail payment services and how they would affect market and technological innovation and public confidence in the payments system.

In addition, each Federal Reserve Bank held a series of regional forums as well as a number of one-on-one meetings. Altogether, fifty-two regional forums, which were moderated by the senior Reserve Bank staff, were held. As in the case of the national meetings, a wide range of payments system participants attended the regional forums, representing more than 350 institutions.

The discussions were varied and lively, but consistent themes emerged across the country. First, although a few participants favored Federal Reserve withdrawal from the check or ACH markets (or both), a large majority, including representatives from all size classes of depository institutions, opposed the Federal Reserve's exiting these markets.

Smaller banks and those located in remote areas were concerned that they would have difficulty obtaining retail payment services, that the prices for those services would rise significantly, and that they might not be able to access new payment services developed in the private sector. Many participants raised concerns about how they would obtain retail payment services if there were a financial crisis. For example, how would smaller institutions collect checks if their correspondent bank were to fail and how would they obtain services if their financial condition were deteriorating?

Some large banks and clearinghouses expressed an interest in picking up new customers as a result of Federal Reserve withdrawal. Other large banks, however, had withdrawn from the correspondent role and were reluctant to resume what they regarded as a low-profit business. Some participants expressed fears that the Federal Reserve's withdrawal would mean heavier regulation of the check and ACH markets as the Congress sought to protect the access of small institutions to these services.

Most participants believed that, in the long run, there would be sufficient capacity in both the check and ACH markets to absorb the transaction volumes processed by the Federal Reserve Banks.

A number of participants, however, were concerned that if the Federal Reserve withdrew from check and ACH services, there would be short-term service disruptions with few long-term benefits.

Some participants supported the withdrawal scenarios because they believed that private-sector providers of retail payment services were more efficient than the Federal Reserve and that the Federal Reserve's withdrawal would enhance the efficiency of the payments system over time. Some participants argued that the likely increases in the price of collecting checks that would follow the Federal Reserve's withdrawal might lead to a greater use of electronic payment services, particularly in remote locations. A few expressed concern about the conflicts of interest that could arise between the Federal Reserve's role as a payment service provider and its role as regulator of the payments system. A few of these participants stated that these perceived conflicts of interest had caused delays in addressing the disparity between check presentment times for the Federal Reserve Banks and private depository institutions. Some thought the Federal Reserve might have taken steps sooner to improve its net settlement service if it did not provide payment services.

At the same time, many participants believed that private-sector providers might be reluctant to expand their check collection services significantly because of their desire to invest in new technologies, rather than legacy systems that are perceived to have marginal profitability and limited growth potential. Some of these participants indicated that they were currently faced with many competing priorities, including dealing with mergers and acquisitions, addressing the operational issues raised by the federal government's electronic payments initiative, and ensuring that they were compliant with the century date change.

Almost all participants believed that check payments would continue to play an important role in the U.S. payments system for the foreseeable future and that the Federal Reserve and other industry participants should focus on achieving additional efficiencies in the check collection system through the use of electronic check presentment and truncation.

With respect to the ACH, participants cited shortcomings in the current system, which may be limiting its use. Participants noted that the ACH was a good vehicle for recurring payments but that its use for purchases at the point of sale was limited. Moreover, consumers are not generally familiar with how to make ACH payments. Participants also discussed the problems that businesses receiving ACH payments frequently experience in receiving the information explaining the amount and purpose of payments from their banks. This issue, of course, is one of the issues facing the banking industry as the federal government implements its all electronic payments initiative and is a critical issue facing the ACH service. At the same time, a number of participants believed that a properly funded public education and marketing effort aimed at consumers and businesses could lead to greater acceptance and use of the ACH.

There was strong support among a wide variety of participants for more "leadership" from the Federal Reserve, especially in moving beyond current payment instruments to more advanced electronic systems of the future. Not all participants, however, had the same concept of what "leadership" implied. Community bankers generally supported a more active, innovative Federal Reserve. Some indicated that the Federal Reserve's investment in technology-driven products enables them to take advantage of electronic services without large, up-front investments that they cannot easily afford. Participants representing larger banks, however, questioned whether the Federal Reserve, as a provider of payment services, could spur the conversion of payments to electronic forms as well as the private service providers could.

Nevertheless, the majority of participants agreed that the Federal Reserve should play a stronger leadership role in improving the efficiency of the check collection system and in bringing diverse players in retail payment services together in a collaborative way to identify and to address the impediments preventing a conversion to more economically efficient retail payment services. Many participants urged the Federal Reserve to work with the payments industry to establish standards for electronic payments, including standards for the authentication of payment instructions, standards for privacy and security of payment information, and standards addressing liability and risks in emerging payment services. In addition, participants suggested that the Federal Reserve could play an important role in sponsoring public education aimed at encouraging the use of end-to-end electronic payment services.

The committee is still weighing what it has learned from the national and regional forums, analytical studies, and other sources. It has not yet brought specific policy options to the Board of Governors or the Conference of Reserve Bank Presidents. Two general conclusions, however, have emerged from our deliberations. First, for the next few years at least, the Federal Reserve can best meet the expectations of the Congress for a safe and reliable payments system by continuing to provide check and ACH services as efficiently as possible. Given the concerns expressed to us about the disruptions that would likely occur if the Federal Reserve were to withdraw from the retail payment services, plus the many changes that the banking industry must grapple with over the next several years, it seems prudent not to impose additional disruptions on it that the industry itself is not certain would lead to long-run benefits.

Second, the Federal Reserve needs to work more closely and collaboratively with the participants and users of the payments system, both to enhance the efficiency of current payment instruments (check and ACH) and to evolve strategies for moving to the next generation of payment methodologies. We look forward to working closely with the Congress as these strategies begin to unfold, with a continuing focus on ensuring the integrity, efficiency, and accessibility of the payments system.

Statement by Laurence H. Meyer, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Banking and Financial Services, U.S. House of Representatives, September 24, 1997

The Board of Governors appreciates this opportunity to comment on issues concerning debit cards that can be used without security codes (sometimes referred to as "check cards" or "offline" debit cards). Users of these cards have some consumer protections related to liability, issuance, and disclosure under the Electronic Fund Transfer Act (EFTA) and the Board's Regulation E. A bill introduced by Representatives Schumer and Gonzalez, and another by Representative Barrett, would further limit a consumer's potential liability for the unauthorized use of debit cards and place restrictions on their issuance. The Board's testimony discusses the existing statutory and regulatory scheme concerning debit card liability and issuance and provides comment on the legislative proposals. The testimony also provides comment on issues related to unsolicited "loan checks," which are addressed in proposed legislation introduced by Representatives Hinchey and Gonzalez that would amend the Truth in Lending Act (TILA).

Generally speaking, the oldest type of debit card in the United States is the automated teller machine (ATM) card used by consumers to make deposits, withdrawals, and transfers between deposit accounts. The cards require the use of a magnetic stripe reader (built into the ATM) and the consumer's security code—a personal identification number (PIN). Because of the method of operation, these cards are sometimes characterized as "online" debit cards. That is, at the time of the transaction, the account number, PIN, and account balance are verified; and instructions for the funds transfer are communicated, through the ATM network, to a database at the card-issuing institution.

At first, institutions issued cards that could be used only at their own ATMs. Over time, the development of regional, nationwide, and internationally linked networks has enabled consumers to access funds using ATMs at institutions other than their own. The subsequent linking of electronic point-of-sale (POS) terminals to these networks has allowed consumers to use their debit cards to pay for purchases at supermarkets, gas stations, and other sites by debiting their deposit accounts. At merchant locations requiring the use of a PIN, the cards operate as "online" debit cards. The use of PIN-protected cards in these online systems has increased substantially in the United States over the past several years, while until recently the use of "offline" debit cards has remained more limited.

Some financial institutions began issuing "offline" debit cards more than a decade ago. Consumers have used these cards in place of credit cards at retail locations. Typically, the consumer signs a charge slip, rather than entering a PIN, and the transactions are processed much like credit card transactions. Indeed, early on, this largely "paper-based" mode of operation generated questions about whether these card transactions were covered by the EFTA and Regulation E. As a consequence, the Board amended Regulation E in 1984 to make clear that debit card transactions are covered by the regulation, whether the transaction takes place at a terminal that captures the transaction data electronically or is carried out manually and only later converted to electronic form.

Over the past year or so, card issuers have begun marketing offline debit cards aggressively, encouraging consumers to use them in place of writing checks. Besides just making them available, many institutions have automatically replaced their customers' existing ATM cards, previously usable only with PINs, with cards that can be used with a PIN at ATMs and electronic POS terminals and without a PIN in the "offline" mode. This development has raised concerns about the potentially greater consumer exposure to losses in the absence of PIN protection.

Both the TILA and the EFTA—which govern credit cards and debit cards respectively—contain provisions on unauthorized use and unsolicited issuance. The TILA provisions were enacted in 1970, and the EFTA provisions have been part of the act since it became law in 1978. The TILA limits consumer liability for the unauthorized use of a credit card to $50. Under the EFTA, the rules are more complex. Liability for the unauthorized use of a debit card is determined based on when the consumer notifies the financial institution of a lost or stolen card or an unauthorized transaction.

If notice is provided within two business days of learning of the loss, the consumer's liability is limited to $50. For the consumer who fails to report the loss or theft of a debit card within two business days of learning of the loss or theft, the potential liability increases to $500. This higher limit applies to unauthorized transactions taking place after the two-business-day period. For example, if a $600 unauthorized debit card purchase takes place the same day the card is stolen, the consumer's maximum liability for that transaction is $50 even if the consumer fails to give notice within two business days after learning of the theft. If unauthorized transactions appear on the consumer's account statement and the consumer fails to report them within sixty days after the statement is sent, the consumer's potential liability is unlimited for unauthorized transactions occurring after the sixty days. Liability up to the sixtieth day is capped at $50 (or at $500, if the consumer knew about a debit card loss or theft and failed to report it within two business days).

The explanation for the more complex rules in the EFTA can be gleaned from the history of the act, which followed a study completed in 1977 by the National Commission on Electronic Fund Transfers. The commission's report on emerging EFT payment mechanisms, which responded to a congressional directive, recommended legislative action to foster the orderly development of EFT systems. At that time, the banking industry had raised objections to having a $50 cap on consumer liability for debit cards, the same as for credit cards. Industry representatives urged that a negligence standard should apply if the consumer was negligent in handling the card and PIN. The industry believed that a $50 cap was an insufficient incentive for consumers to protect their cards and security codes. In turn, the commission's report recommended a negligence standard that would hold the consumer liable for acts such as writing the PIN on the card.

The Congress considered and ultimately decided against imposing a negligence standard. Instead, both the House and Senate agreed on the basic $50 liability limit. But in addition, to encourage consumers to protect debit cards and promptly report unauthorized use, the House favored holding a consumer liable for unauthorized transactions occurring a "reasonable time" after the consumer learned of the loss or theft of the card and failed to notify the card issuer. The Senate bill provided for unlimited liability for the failure to report any unauthorized transactions appearing on a statement within sixty days after the statement was sent. The law as finally enacted blended the two exceptions, changing "reasonable time" to two business days and adding the $500 cap for unauthorized transactions taking place within the sixty days.

As to disclosures, both the TILA and the EFTA require that, to impose liability, the card issuer disclose the limits on consumer liability and give a telephone number or address (both phone number and address, in the case of the EFTA) for reporting loss or theft of the card or unauthorized transactions.

For issuance, the TILA prohibits outright the unsolicited issuance of credit cards. The EFTA permits the unsolicited issuance of debit cards but only if disclosures are given and the card is not usable until after the consumer has requested validation and the consumer's identity has been verified. Both laws permit issuing a new card to replace or substitute for an existing card. Regulation Z (which implements the TILA) and Regulation E also permit an issuer to add features to a card at the time of substitution. Under these rules, it is thus permissible to send a debit card that can be used without PIN protection to replace an "online" PIN-protected debit card, and these substitute cards can be sent validated or unvalidated. When a substitution is made, if there are adverse changes in the terms and conditions that were originally disclosed to the cardholder (such as higher liability limits or higher fees), the issuer must disclose the revised terms. But adding the capability for offline use to a debit card does not, by itself, require a new disclosure under Regulation E.

Without doubt, the issuance of a card that does not require a PIN increases the consumer's risk. The consumer deserves to be informed about this in a very straightforward way. This risk may involve liability for unauthorized transactions or it may simply be the necessity of having to sort out unauthorized activity problems, even if there is no ultimate financial loss. It also seems appropriate to apply a lower liability limit than that which presently applies: Under current law, adding non-PIN-protected capability to a card subjects the consumer to higher liability than applies to credit cards. Apart from what the law requires, both VISA and MasterCard have decided to voluntarily limit consumer liability for unauthorized use of debit cards to $50 or less, and this should deal with consumer concern about unwarranted financial risk, although the potential aggravation of demonstrating unauthorized use may remain. Therefore, it seems to us the question is whether voluntary industry activity is sufficient to deal with these concerns or whether legislation is necessary.

Now let me turn to the two proposed bills. H.R.2319, the Consumer Debit Card Protection Act, introduced by Representative Barrett, limits consumer liability to $50 or less for all unauthorized debit card transactions, including those that require a PIN. The bill also calls for a warning notice for debit cards that can be used without a PIN and would give consumers the option to reject such cards in favor of PIN-protected cards. Each periodic statement would have to include a detailed notice of the procedures for notifying the card issuer of the loss or theft of the debit card or of unauthorized transactions.

For cards without PIN protection, the Barrett bill would also require the card issuer to provisionally reimburse consumers for claims of unauthorized use within three business days. Currently, the EFTA provides that claims of unauthorized use must be resolved within ten business days; alternatively, the disputed amount must be recredited within ten business days if an investigation cannot be completed within that time, and the investigation must then be completed within forty-five days. For POS and foreign transactions, Regulation E doubles the time periods: twenty business days to resolve a claim of error (or to recredit an account if the investigation takes longer); and ninety days to complete the investigation. The longer periods were adopted in 1984, at the same time that Regulation E was amended to cover paper-based debit card transactions. The longer times were deemed necessary for resolving claims that involved third-party merchants or remote institutions, and card issuers wanted to avoid having to provisionally recredit an account before the investigation was complete. The Board is aware that VISA is changing its rules to provide for recrediting within five business days, and this suggests that technological improvements in payment systems may permit these consumer claims to be investigated more quickly. We will reexamine the Board's rule in light of these developments.

H.R.2234, the Dual-Use Debit Cardholder Protection Act, introduced by Representatives Schumer and Gonzalez, addresses liability, disclosures, and issuance. The bill limits a consumer's liability to $50 for a debit card that is not PIN-protected and does not use some other unique identifier; a signature is deemed not to be a unique identifier. It requires card issuers, as a condition of imposing any liability on consumers, to disclose the importance of promptly reporting loss or theft of the card. Under current law, this disclosure is optional. The Schumer–Gonzalez bill also prohibits issuing a debit card that can function without a PIN unless (1) the card is not activated when sent, (2) certain disclosures accompany the card, and (3) the card is activated only upon the consumer's request and after verification of the consumer's identity. These latter rules currently govern the initial issuance of a card on an unsolicited basis, but not a replacement card.

There is considerable merit to having card issuers provide a new offline debit card in unvalidated form when they replace an online card and only validating the card upon the consumer's request. Requiring validation could be useful for ensuring that consumers are not exposed to any additional risk or inconvenience without their consent. It is our understanding that in many cases card issuers already follow, or are planning to adopt, a security procedure in which they validate a renewal card for use only after the cardholder has expressly confirmed receiving the card and has requested validation. However, this procedure may not generally include the step of confirming the consumer's willingness to accept a debit card that is not PIN-protected.

The question is whether current and evolving industry practices are sufficient or whether a statutory requirement is needed. Given the positive steps being taken by the industry to deal with consumer concerns on a voluntary basis, we are inclined to see how things work before enacting new laws. However, the industry should be on notice that it is in everyone's best interest to ensure that the public understands the new risks inherent in transactions that are not PIN-protected and that individual consumers can make an informed choice about whether to assume that risk.

The subcommittee also requested information about the tracking of a consumer's debit and credit card spending. Although both regulations—E for debit cards and Z for credit cards—require card issuers to capture transaction information such as transaction date, amount, and merchant name and location, for reporting to the cardholder on the periodic statement, they are silent on the use of this information by the card issuer. However, I think we all know, from our own experience, that for credit cards, and probably also for debit cards, at least some card issuers do use this and other information about cardholders' purchasing patterns for marketing purposes. Industry witnesses can no doubt provide detailed information on this matter.

The Board has also been asked to comment on the mailing of unsolicited "loan checks" to consumers. These credit products are also referred to as "loans by mail" or "live checks." The consumer need only sign and cash or deposit the check to obtain the loan. The amount of these loan checks may be thousands of dollars.

Federal law does not prohibit creditors from mailing unsolicited loan checks. The TILA does mandate that full disclosure of the credit terms, such as the annual percentage rate and the payment schedule, be included with any mailing so that consumers can make informed decisions about whether to accept the loan. Therefore, the primary concern should not be disclosure but rather the potential for theft and fraud and the consumer inconvenience of refuting a claim of liability. The unsolicited check could be intercepted in the mail by a thief who forges the consumer's name and cashes the check. The consumer's rights in the case of a forged endorsement are governed by state law, generally under the Uniform Commercial Code, which provides protection against fraud. Although the consumer would not ultimately be liable for the forged instrument, the consumer is nevertheless exposed to risk that was not anticipated and inconvenience resulting from a loan check that was not requested.

H.R.2053, the Unsolicited Loan Consumer Protection Act, introduced by Representatives Hinchey and Gonzalez, prohibits the unsolicited mailing of loan checks or other negotiable instruments. The bill also provides that if a check or other negotiable instrument is sent unsolicited, a consumer would not be liable for the debt unless the creditor could prove that the consumer received and negotiated the instrument. And whether or not the intended recipient received it, the creditor could not report any liability resulting from the unsolicited instrument to a consumer reporting agency.

Within the past two years, the Board has received a dozen or so complaints about unsolicited loan checks that primarily relate to theft and fraud problems. This is not a vast number of complaints, and the issuance of unsolicited loan checks is not as prevalent as the issuance of unsolicited credit cards in the late 1960s that led to the TILA prohibition. But creditors are increasingly making use of these checks, and the question is whether they pose a significant enough problem to warrant legislation. In answering the question, it seems appropriate to balance any need for consumer protection to combat fraud and other concerns associated with unsolicited checks against unnecessary restrictions on the offering of financial products. Some consumers may appreciate the convenience of obtaining "instant credit" without having to make a formal application. In addition, the intended recipient of a loan check generally will not be held liable for the amount of a forged loan check, although that may be small comfort to an individual who must contend with proving the forgery of the check. While the Board is mindful of the appearance that consumers are exposed to risks they have not voluntarily assumed, we do not favor an outright prohibition against sending these checks. Absent some evidence of a significant problem, we are inclined to let the market work without the intervention of new legislation.

This hearing provides a useful forum for the industry, consumer representatives, and others to discuss with lawmakers these important policy matters involving debit cards and loan checks, and we appreciate the opportunity to participate in the discussion. □

Announcements

REGULATION J: AMENDMENTS

The Federal Reserve Board on September 11, 1997, announced amendments to Regulation J (Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers through Fedwire) to help ease the transition to interstate branching in the check collection area. The amendments are effective January 2, 1998.

Beginning January 2, 1998, the Federal Reserve Banks will implement a new account structure under which each depository institution will have a single Federal Reserve account relationship. The Regulation J amendments will allow an institution to send checks to any Reserve Bank for collection, but all of its check collection transactions through the Federal Reserve will be reflected in a single account held at its "Administrative Reserve Bank" regardless of where the institution has its branches.

DELAY IN MANDATORY COMPLIANCE WITH REVISIONS TO REGULATION M

The Federal Reserve Board on September 25, 1997, delayed the date for mandatory compliance with revisions to Regulation M (Consumer Leasing) that apply to automobile leasing from October 1, 1997, to January 1, 1998.

The Board's revised regulation made a significant number of substantive changes to the regulation and established new disclosures to improve consumers' understanding of automobile and other lease transactions. The changes required the preparation of new leasing forms and the reprogramming of the computer software used to produce the consumer lease disclosures at automobile dealerships.

Representatives of leasing companies, automobile dealerships, and vendor support services requested a delay in the date set by the Board for mandatory compliance. Installation of new leasing software is still under way at many of the 22,500 new-car dealerships that arrange leases through approximately 9,000 leasing companies. As a result, many of the dealerships are unable to produce computer-generated disclosures by October 1.

The Board approved the delay to ensure that consumers receive accurate and meaningful disclosures through computer-generated programs when they enter into lease transactions.

ADOPTION OF UNIFORM AMENDMENTS TO THE RIEGLE–NEAL INTERSTATE BANKING AND BRANCHING EFFICIENCY ACT OF 1994

The Federal Reserve Board along with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation on September 5, 1997, issued a final rule that adopts uniform regulations implementing section 109 of the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act). The rule became effective October 10, 1997.

As required by section 109, the rule prohibits any bank from establishing or acquiring a branch or branches outside its home state under the Interstate Act primarily for the purpose of deposit production. The rule also provides guidelines for determining whether such a bank is reasonably helping to meet the credit needs of the communities served by the interstate branches.

GAO AUDIT OF THE FINANCIAL CONTROLS AND REPORTING OF CASH AT THE LOS ANGELES BRANCH

The General Accounting Office (GAO) has given a clean bill of health to the financial controls and reporting of cash at the Los Angeles Branch of the Federal Reserve Bank of San Francisco.

The GAO, in a September 1996 report on errors made by the L.A. Branch in cash statistical reports submitted to the Board, had called into question the integrity of the Branch's internal controls and financial accounting of cash. This GAO audit lays to rest those concerns.

The GAO audit reviewed the work performed by Coopers & Lybrand, which was retained by the Federal Reserve Board to provide an independent perspective on the internal control structure over cash at the L.A. Branch as well as that at other Federal Reserve Banks that use the same cash automation system to manage the cash under their control.

This GAO audit confirms the Federal Reserve's assessment that the Reserve Banks effectively control their cash operations and that the financial accounting of the cash positions has a high degree of integrity. It is consistent with the conclusion of the Board's Inspector General, who has also reviewed this matter.

Approval of a Risk-Focused Consumer Compliance Supervision Program

The Federal Reserve Board has approved a risk-focused consumer compliance supervision program and extended the consumer examination frequency schedule for state member banks and foreign banking organizations. Implementation of the new program will be phased in during 1998.

These actions will enhance the effectiveness of the Federal Reserve System's consumer compliance examination program, reduce the burden of examinations for supervised institutions, and more effectively deploy Federal Reserve System examination resources.

The new frequency guidelines extend the examination cycle from eighteen to twenty-four months to thirty-six months for state member banks having an exemplary compliance history and assets of less than $250 million. An exemplary compliance history is defined as two satisfactory or better ratings for both consumer compliance and the Community Reinvestment Act. Banks with assets of more than $250 million will be examined every twenty-four months, while banks with performance problems will be examined once every twelve months.

The consumer examinations performed under the new program will be conducted concurrently with examinations for fair lending laws and the CRA, both of which are covered under separate but complimentary programs that reflect the new frequency schedule.

An essential component of the new examination approach is the correlation of two risk elements:

- Regulation risk, which involves an evaluation of the potential consequences to the consumer or the bank of noncompliance with consumer protection laws and regulations
- Product risk, for which examiners will identify the potential risks associated with financial products or services relative to a bank's market position, management expertise, and business orientation.

The relationships between these two risk elements will then be correlated to determine the level of review necessary to verify a bank's compliance posture. The primary advantage of this examination approach is that it targets examination resources to higher risk areas without compromising the integrity of the examination process.

The new program also places a greater emphasis on outreach and monitoring activities. The outreach components of the program will be designed to foster compliance through regular contacts with state member banks. These contacts will be conducted apart from examination and supervisory activities and will include such items as training seminars and advisory visits. Monitoring efforts will be performed between examinations and will be designed to alert examiners to any potential deterioration in a bank's consumer compliance posture. The conclusions drawn from the monitoring process will be considered when establishing the scope, timing, and staffing of future examinations.

Implementation of a Risk-Focused Process for the Examination of State-Chartered Community Banks

The Federal Reserve Board, the Federal Deposit Insurance Corporation (FDIC), and the state banking departments will begin full implementation of a common risk-focused process for the examination of state-chartered community banks effective October 1, 1997. The process targets the activities posing the highest level of risk at each institution and enhances examiners' ability to diagnose emerging problems.

Implementation of this process will provide greater consistency in examinations conducted by the Federal Reserve, the FDIC, and the states, and is expected to result in examinations that are more efficient and effective and less burdensome on institutions.

Critical to the implementation of the risk-focused approach is the exercise of examiner judgment in determining the scope of the examination during the planning process. This allows examiners to customize, based on the bank's risk profile, procedures performed on-site.

The Federal Reserve and the FDIC have developed examination procedure modules to assist examiners in their analysis of seven of the most important activities of community banks including loan portfolio management, securities, management and internal controls, earnings, and capital. Six supplemental modules are provided for the review of activities such as electronic banking, mortgage banking, and international banking. Both agencies have conducted extensive field testing of the modules.

These modules emphasize evaluation of a bank's ability to manage the risks associated with a particular activity so that examiners can better diagnose emerging problems. The modules employ a tiered structure that permits an examiner to draw conclusions after completing a core analysis requiring a limited number of procedures. An expanded analysis involving further procedures would be performed only if the core analysis indicated more in-depth review is necessary.

The modules have been automated for use on virtually all laptop computers currently in field use through a standalone software program called ELVIS (Examiner Laptop Visual Information System).

ELVIS provides a documentation vehicle for work performed on an examination, as well as electronic access to the two agencies' examination manuals. Examiners at both agencies have been trained on the risk-focused examination process and the use of ELVIS.

The FDIC began work on developing a risk-focused examination process in 1996 as part of a Corporate Operating Plan project. When the FDIC examiners working on the project learned that the Federal Reserve had undertaken a similar effort, the two agencies decided to join in a cooperative effort. The state banking departments through the Conference of State Bank Supervisors (CSBS) provided input to the development work.

Training on the risk-based examination process has included examiners from all of the fifty state banking departments. Since all three groups conduct examinations of state-chartered banks, implementation of the risk-focused approach is expected to improve the consistency of examination procedures applied to state-chartered institutions.

Policy Statement by the Basle Committee on Year 2000 Issues

The Basle Committee on Banking Supervision has issued a policy statement entitled "The Year 2000: A Challenge for Financial Institutions and Bank Supervisors," which addresses the need for financial institutions to check all their computer applications in advance of the new millennium.

This paper sets out a strategic approach for the development, testing, and implementation of system solutions as well as defining the role that central banks and other bank supervisors need to play in promoting awareness of the Year 2000 issue and enforcing actions.

The text of the Basle Committee document is available on the Bank for International Settlements (BIS) Web site at http://www.bis.org and on the Federal Reserve Board Web site at http://www.bog.frb.fed.us/y2k.

Modification by the Basle Committee of the Amendment to the Capital Accord to Incorporate Market Risk

The Basle Committee on Banking Supervision has incorporated market risk into the Amendment to the Capital Accord that it issued in January 1996 and that was subsequently adopted by the Federal Reserve Board for state member banks and bank holding companies. The modified amendment is effective January 1, 1998.

The modification has the effect of removing the so-called floor, which would have applied to banks using internal models to assess specific risk as part of their overall modeling of market risk. Banks will benefit from the removal of the floor because its retention would have burdened them with dual calculations.

The text of the Basle Committee document is available on the BIS Web site at http://www.bis.org.

Release of "Principles for the Management of Interest Rate Risk" by the Basle Committee

The Basle Committee on Banking Supervision on September 22, 1997, released a paper containing a set of "Principles for the Management of Interest Rate Risk."

The document is a revised version of a consultative paper issued in January 1997. It re-emphasizes the need for banks to maintain adequate risk-management practices in all their activities and identifies specific agreed-upon principles that supervisory authorities will consider in evaluating banks' management of interest rate risk.

The text of the Basle Committee document is available on the BIS Web site at http://www.bis.org.

Release of the "Core Principles for Effective Banking Supervision" by the Basle Committee

The Basle Committee on Banking Supervision has released the "Core Principles for Effective Banking

Supervision," a document that sets out the principles that the committee believes must be in place for a supervisory system to be effective.

These twenty-five core principles are intended to serve as a basic reference for supervisory and other public authorities worldwide to apply in the supervision of all the banks within their jurisdiction. Supervisory authorities throughout the world are invited to endorse them by October 1998.

The text of the core principles is available on the BIS Web site at http://www.bis.org.

PUBLICATION OF THE *EXAMINATION MANUAL FOR U.S. BRANCHES AND AGENCIES OF FOREIGN BANKING ORGANIZATIONS*

The *Examination Manual for U.S. Branches and Agencies of Foreign Banking Organizations,* published by the Board's Division of Banking Supervision and Regulation in 1995, has been totally revised as of July 1997 and is now available for purchase by the public. The *Manual* serves as a primary reference source of uniform guidelines and procedures to be used by examiners at U.S. state and federal banking agencies in conducting examinations of foreign bank branches and agencies operating in the United States.

The *Manual* provides a comprehensive overview of the broad range of banking activities that are conducted by foreign bank branches and agencies and specific guidance on how to evaluate these activities at a branch and agency in the context of the foreign banking organization of which it is an integral part. It includes the ROCA (risk management, operational controls, compliance with U.S. laws and regulations, and asset quality) rating system that examiners use to assess the condition of foreign bank branches and agencies and to identify and address any of the unique supervisory issues raised by these offices.

The *Manual* may be obtained from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551, at a cost of $40.00. Charge orders paid by Visa and Mastercard may be sent by fax to (202) 728-5886. Updates will be available periodically at a cost to be determined at the time they become available.

CHANGES IN BOARD STAFF

The Board has approved the following changes in the official staff.

In the Division of International Finance, the Board announced on September 15, 1997, the appointment to the official staff of Lewis S. Alexander as Associate Director; the promotions of Peter Hooper and Karen H. Johnson from Assistant Director to Associate Director; a reassignment for Thomas A. Connors, Assistant Director; and a change in title from Senior Associate Director to Senior Adviser for Charles J. Siegman and Larry J. Promisel.

In the Division of Supervision and Regulation, the Board announced on September 17, 1997, the following official staff promotions and appointments: the promotions of Herbert A. Biern and Roger T. Cole to the position of Associate Director; the promotions of James V. Houpt, Jr., Gerald A. Edwards, Jr., Molly S. Wassom, Stephen Hoffman, Jr., Michael G. Martinson, Sidney M. Sussan, and Jack P. Jennings to the position of Deputy Associate Director; the appointments of Norah M. Barger, Betsy Cross, and Richard A. Small to the position of Assistant Director; and the transfer of William A. Ryback to Associate Director for Supervision Operations.

Mr. Alexander first joined the Board's staff in 1985. He left the Board in 1993 to serve as Chief Economist at the Department of Commerce and then returned to the Board in 1996. He received his Ph.D. from Yale University.

Ms. Barger joined the Board's staff in 1986. She holds an A.B. degree from Princeton University and an M.B.A. from Georgetown University.

Ms. Cross joined the Board's staff in 1982. She holds a B.A. degree from DePauw University, an M.A. from the University of Pennsylvania, and an M.B.A. from the University of Michigan.

Mr. Small joined the Board's staff in December 1989. He holds a B.S. degree from Rider College and a J.D. from Hofstra University's Law School. □

Legal Developments

Joint Final Rule—Amendment to Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994

The Office of the Comptroller of the Currency, Treasury ("OCC"); Board of Governors of the Federal Reserve System ("Board"); and Federal Deposit Insurance Corporation ("FDIC") (colletively, "agencies") are adopting uniform regulations to implement section 109 ("section 109") of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Interstate Act"). The final rule reflects comments received on the proposal and further internal consideration by the agencies.

As required by section 109, the final rule prohibits any bank from establishing or acquiring a branch or branches outside of its home state under the Interstate Act primarily for the purpose of deposit production, and provides guidelines for determining whether such bank is reasonably helping to meet the credit needs of the communities served by these branches.

Effective October 10, 1997, 12 C.F.R. Parts 25, 208, 211, and 369 are amended as follows:

Part 25—Community Reinvestment Act and Interstate Deposit Production Regulations

1. The part heading for Part 25 is revised to read as set forth above.

2. The authority citation for Part 25 is revised to read as follows:

Authority: 12 U.S.C. 21, 22, 26, 27, 30, 36, 93a, 161, 215, 215a, 481, 1814, 1816, 1828(c), 1835a, 2901 through 2907, and 3101 through 3111.

3. Section 25.11 is amended by revising paragraph (a)(1) to read as follows:

Section 25.11—Authority, purpose, and scope.

(a) *Authority and OMB control number — (1) Authority.* The authority for subparts A, B, C, D, and E is 12 U.S.C. 21, 22, 26, 27, 30, 36, 93a, 161, 215, 215a, 481, 1814, 1816, 1828(c), 1835a, 2901 through 2907, and 3101 through 3111.

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4. Part 25 is amended by adding a new subpart E to read as follows:

Subpart E—Prohibition Against Use of Interstate Branches Primarily for Deposit Production

Sec.

25.61	Purpose and scope.
25.62	Definitions.
25.63	Loan-to-deposit ratio screen.
25.64	Credit needs determination.
25.65	Sanctions.

Subpart E—Prohibition Against Use of Interstate Branches Primarily for Deposit Production

Section 25.61—Purpose and scope.

(a) *Purpose.* The purpose of this subpart is to implement section 109 (12 U.S.C. 1835a) of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act).

(b) *Scope.* (1) This subpart applies to any national bank that has operated a covered interstate branch for a period of at least one year, and any foreign bank that has operated a covered interstate branch that is a Federal branch for a period of at least one year.

(2) This subpart describes the requirements imposed under 12 U.S.C. 1835a, which requires the appropriate Federal banking agencies (the OCC, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation) to prescribe uniform rules that prohibit a bank from using any authority to engage in interstate branching pursuant to the Interstate Act, or any amendment made by the Interstate Act to any other provision of law, primarily for the purpose of deposit production.

Section 25.62—Definitions.

For purposes of this subpart, the following definitions apply:

(a) *Bank* means, unless the context indicates otherwise:

(1) A national bank; and

(2) A foreign bank as that term is defined in 12 U.S.C. 3101(7) and 12 C.F.R. 28.11(j).

(b) *Covered interstate branch* means any branch of a national bank, and any Federal branch of a foreign bank, that:

(1) Is established or acquired outside the bank's home state pursuant to the interstate branching authority granted by the Interstate Act or by any amendment made by the Interstate Act to any other provision of law; or

(2) Could not have been established or acquired outside of the bank's home state but for the establishment or acquisition of a branch described in paragraph (b)(1) of this section.
(c) *Federal branch* means Federal branch as that term is defined in 12 U.S.C. 3101(6) and 12 C.F.R. 28.11(i).
(d) *Home state* means:
(1) With respect to a state bank, the state that chartered the bank;
(2) With respect to a national bank, the state in which the main office of the bank is located; and
(3) With respect to a foreign bank, the home state of the foreign bank as determined in accordance with 12 U.S.C. 3103(c) and 12 C.F.R. 28.11(o).
(e) *Host state* means a state in which a bank establishes or acquires a covered interstate branch.
(f) *Host state loan-to-deposit ratio* generally means, with respect to a particular host state, the ratio of total loans in the host state relative to total deposits from the host state for all banks (including institutions covered under the definition of "bank" in 12 U.S.C. 1813(a)(1)) that have that state as their home state, as determined and updated periodically by the appropriate Federal banking agencies and made available to the public.
(g) *State* means state as that term is defined in 12 U.S.C. 1813(a)(3).
(h) *Statewide loan-to-deposit ratio* means, with respect to a bank, the ratio of the bank's loans to its deposits in a state in which the bank has one or more covered interstate branches, as determined by the OCC.

Section 25.63—Loan-to-deposit ratio screen.

(a) *Application of screen.* Beginning no earlier than one year after a bank establishes or acquires a covered interstate branch, the OCC will consider whether the bank's statewide loan-to-deposit ratio is less than 50 percent of the relevant host state loan-to-deposit ratio.
(b) *Results of screen.* (1) If the OCC determines that the bank's statewide loan-to-deposit ratio is 50 percent or more of the host state loan-to-deposit ratio, no further consideration under this subpart is required.
(2) If the OCC determines that the bank's statewide loan-to-deposit ratio is less than 50 percent of the host state loan-to-deposit ratio, or if reasonably available data are insufficient to calculate the bank's statewide loan-to-deposit ratio, the OCC will make a credit needs determination for the bank as provided in section 25.64.

Section 25.64—Credit needs determination.

(a) *In general.* The OCC will review the loan portfolio of the bank and determine whether the bank is reasonably helping to meet the credit needs of the communities in the host state that are served by the bank.
(b) *Guidelines.* The OCC will use the following considerations as guidelines when making the determination pursuant to paragraph (a) of this section:
(1) Whether covered interstate branches were formerly part of a failed or failing depository institution;
(2) Whether covered interstate branches were acquired under circumstances where there was a low loan-to-deposit ratio because of the nature of the acquired institution's business or loan portfolio;
(3) Whether covered interstate branches have a high concentration of commercial or credit card lending, trust services, or other specialized activities, including the extent to which the covered interstate branches accept deposits in the host state;
(4) The CRA ratings received by the bank, if any;
(5) Economic conditions, including the level of loan demand, within the communities served by the covered interstate branches;
(6) The safe and sound operation and condition of the bank; and
(7) The OCC's CRA regulations (subparts A through D of this part) and interpretations of those regulations.

Section 25.65—Sanctions.

(a) *In general.* If the OCC determines that a bank is not reasonably helping to meet the credit needs of the communities served by the bank in the host state, and that the bank's statewide loan-to-deposit ratio is less than 50 percent of the host state loan-to-deposit ratio, the OCC:
(1) May order that a bank's covered interstate branch or branches be closed unless the bank provides reasonable assurances to the satisfaction of the OCC, after an opportunity for public comment, that the bank has an acceptable plan under which the bank will reasonably help to meet the credit needs of the communities served by the bank in the host state; and
(2) Will not permit the bank to open a new branch in the host state that would be considered to be a covered interstate branch unless the bank provides reasonable assurances to the satisfaction of the OCC, after an opportunity for public comment, that the bank will reasonably help to meet the credit needs of the community that the new branch will serve.
(b) *Notice prior to closure of a covered interstate branch.* Before exercising the OCC's authority to order the bank to close a covered interstate branch, the OCC will issue to the bank a notice of the OCC's intent to order the closure and will schedule a hearing within 60 days of issuing the notice.
(c) *Hearing.* The OCC will conduct a hearing scheduled under paragraph (b) of this section in accordance with the provisions of 12 U.S.C. 1818(h) and 12 C.F.R. Part 19.

Part 208—Membership of State Banking Institutions in the Federal Reserve System (Regulation H)

1. The authority citation for Part 208 is revised to read as follows:

Authority: 12 U.S.C. 24, 248(a), 248(c), 321–338a, 371d, 461, 481-486, 601, 611, 1814, 1820(d)(9), 1823(j), 1828(o), 1831o, 1831p-1, 1835a, 3105, 3310, 3331-3351, and 3906-3909; 15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1, and 78w; 31 U.S.C. 5318.

2. A new section 208.28 is added to subpart A to read as follows:

Section 208.28—Prohibition against use of interstate branches primarily for deposit production.

(a) *Purpose and scope* — (1) *Purpose.* The purpose of this section is to implement section 109 (12 U.S.C. 1835a) of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act).

(2) *Scope.* (i) This section applies to any State member bank that has operated a covered interstate branch for a period of at least one year, and any foreign bank that has operated a covered interstate branch licensed by a State for a period of at least one year.

(ii) This section describes the requirements imposed under 12 U.S.C. 1835a, which requires the appropriate Federal banking agencies (the Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation) to prescribe uniform rules that prohibit a bank from using any authority to engage in interstate branching pursuant to the Interstate Act, or any amendment made by the Interstate Act to any other provision of law, primarily for the purpose of deposit production.

(b) *Definitions.* For purposes of this section, the following definitions apply:

(1) *Bank* means, unless the context indicates otherwise:

(i) A State member bank as that term is defined in 12 U.S.C. 1813(d)(2); and

(ii) A foreign bank as that term is defined in 12 U.S.C. 3101(7) and 12 C.F.R. 211.21.

(2) *Covered interstate branch* means any branch of a State member bank, and any uninsured branch of a foreign bank licensed by a State, that:

(i) Is established or acquired outside the bank's home state pursuant to the interstate branching authority granted by the Interstate Act or by any amendment made by the Interstate Act to any other provision of law; or

(ii) Could not have been established or acquired outside of the bank's home state but for the establishment or acquisition of a branch described in paragraph (b)(2)(i) of this section.

(3) *Home state* means:

(i) With respect to a state bank, the state that chartered the bank;

(ii) With respect to a national bank, the state in which the main office of the bank is located; and

(iii) With respect to a foreign bank, the home state of the foreign bank as determined in accordance with 12 U.S.C. 3103(c) and 12 C.F.R. 211.22.

(4) *Host state* means a state in which a bank establishes or acquires a covered interstate branch.

(5) *Host state loan-to-deposit ratio* generally means, with respect to a particular host state, the ratio of total loans in the host state relative to total deposits from the host state for all banks (including institutions covered under the definition of "bank" in 12 U.S.C. 1813(a)(1)) that have that state as their home state, as determined and updated periodically by the appropriate Federal banking agencies and made available to the public.

(6) *State* means state as that term is defined in 12 U.S.C. 1813(a)(3).

(7) *Statewide loan-to-deposit ratio* means, with respect to a bank, the ratio of the bank's loans to its deposits in a state in which the bank has one or more covered interstate branches, as determined by the Board.

(c) *Loan-to-deposit ratio screen* — (1) *Application of screen.* Beginning no earlier than one year after a bank establishes or acquires a covered interstate branch, the Board will consider whether the bank's statewide loan-to-deposit ratio is less than 50 percent of the relevant host state loan-to-deposit ratio.

(2) *Results of screen.* (i) If the Board determines that the bank's statewide loan-to-deposit ratio is 50 percent or more of the host state loan-to-deposit ratio, no further consideration under this section is required.

(ii) If the Board determines that the bank's statewide loan-to-deposit ratio is less than 50 percent of the host state loan-to-deposit ratio, or if reasonably available data are insufficient to calculate the bank's statewide loan-to-deposit ratio, the Board will make a credit needs determination for the bank as provided in paragraph (d) of this section.

(d) *Credit needs determination* — (1) *In general.* The Board will review the loan portfolio of the bank and determine whether the bank is reasonably helping to meet the credit needs of the communities in the host state that are served by the bank.

(2) *Guidelines.* The Board will use the following considerations as guidelines when making the determination pursuant to paragraph (d)(1) of this section:

(i) Whether covered interstate branches were formerly part of a failed or failing depository institution;

(ii) Whether covered interstate branches were acquired under circumstances where there was a low loan-to-deposit ratio because of the nature of the acquired institution's business or loan portfolio;

(iii) Whether covered interstate branches have a high concentration of commercial or credit card lending, trust services, or other specialized activities, including the extent to which the covered interstate branches accept deposits in the host state;

(iv) The Community Reinvestment Act ratings received by the bank, if any, under 12 U.S.C. 2901 *et seq.;*

(v) Economic conditions, including the level of loan demand, within the communities served by the covered interstate branches;

(vi) The safe and sound operation and condition of the bank; and

(vii) The Board's Regulation BB — Community Reinvestment (12 C.F.R. Part 228) and interpretations of that regulation.

(e) *Sanctions* — (1) *In general.* If the Board determines that a bank is not reasonably helping to meet the credit needs of the communities served by the bank in the host state, and that the bank's statewide loan-to-deposit ratio is less than 50 percent of the host state loan-to-deposit ratio, the Board:

(i) May order that a bank's covered interstate branch or branches be closed unless the bank provides reasonable assurances to the satisfaction of the Board, after an opportunity for public comment, that the bank has an acceptable plan under which the bank will reasonably help to meet the credit needs of the communities served by the bank in the host state; and

(ii) Will not permit the bank to open a new branch in the host state that would be considered to be a covered interstate branch unless the bank provides reasonable assurances to the satisfaction of the Board, after an opportunity for public comment, that the bank will reasonably help to meet the credit needs of the community that the new branch will serve.

(2) *Notice prior to closure of a covered interstate branch.* Before exercising the Board's authority to order the bank to close a covered interstate branch, the Board will issue to the bank a notice of the Board's intent to order the closure and will schedule a hearing within 60 days of issuing the notice.

(3) *Hearing.* The Board will conduct a hearing scheduled under paragraph (e)(2) of this section in accordance with the provisions of 12 U.S.C. 1818(h) and 12 C.F.R. Part 263.

Part 211—International Banking Operations (Regulation K)

1. The authority citation for part 211 is revised to read as follows:

Authority: 12 U.S.C. 221 *et seq.*, 1818, 1835a, 1841 *et seq.*, 3101 *et seq.*, and 3901 *et seq.*

2. In section 211.22, a new paragraph (d) is added to read as follows:

Section 211.22—Interstate banking operations of foreign banking organizations.

* * * * *

(d) *Prohibition against interstate deposit production offices.* A covered interstate branch of a foreign bank may not be used as a deposit production office in accordance with the provisions in section 208.28 of the Board's Regulation H (12 C.F.R. 208.28).

Part 369—Prohibition Against Use of Interstate Branches Primarily for Deposit Production

Sec.

Authority: 12 U.S.C. 1819 (Tenth) and 1835a.

Section 369.1—Purpose and scope.

(a) *Purpose.* The purpose of this part is to implement section 109 (12 U.S.C. 1835a) of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act).

(b) *Scope* — (1) This part applies to any State nonmember bank that has operated a covered interstate branch for a period of at least one year.

(2) This part describes the requirements imposed under 12 U.S.C. 1835a, which requires the appropriate Federal banking agencies (the FDIC, the Office of the Comptroller of the Currency, and the Board of Governors of the Federal Reserve System) to prescribe uniform rules that prohibit a bank from using any authority to engage in interstate branching pursuant to the Interstate Act, or any amendment made by the Interstate Act to any other provision of law, primarily for the purpose of deposit production.

Section 369.2—Definitions.

For purposes of this part, the following definitions apply:

(a) *Bank* means, unless the context indicates otherwise:

(1) A State nonmember bank; and

(2) A foreign bank as that term is defined in 12 U.S.C. 3101(7) and 12 C.F.R. 346.1(a).

(b) *Covered interstate branch* means any branch of a State nonmember bank, and any insured branch of a foreign bank licensed by a State, that:

(1) Is established or acquired outside the bank's home state pursuant to the interstate branching authority granted by the Interstate Act or by any amendment made by the Interstate Act to any other provision of law; or

(2) Could not have been established or acquired outside of the bank's home state but for the establishment or acquisition of a branch described in paragraph (b)(1) of this section.

(c) *Home state* means:

(1) With respect to a state bank, the state that chartered the bank;

(2) With respect to a national bank, the state in which the main office of the bank is located; and

(3) With respect to a foreign bank, the home state of the foreign bank as determined in accordance with 12 U.S.C. 3103(c) and 12 C.F.R. 346.1(j).

(d) *Host state* means a state in which a bank establishes or acquires a covered interstate branch.
(e) *Host state loan-to-deposit ratio* generally means, with respect to a particular host state, the ratio of total loans in the host state relative to total deposits from the host state for all banks (including institutions covered under the definition of "bank" in 12 U.S.C. 1813(a)(1)) that have that state as their home state, as determined and updated periodically by the appropriate Federal banking agencies and made available to the public.
(f) *State* means state as that term is defined in 12 U.S.C. 1813(a)(3).
(g) *Statewide loan-to-deposit ratio* means, with respect to a bank, the ratio of the bank's loans to its deposits in a state in which the bank has one or more covered interstate branches, as determined by the FDIC.

Section 369.3—Loan-to-deposit ratio screen.

(a) *Application of screen.* Beginning no earlier than one year after a bank establishes or acquires a covered interstate branch, the FDIC will consider whether the bank's statewide loan-to-deposit ratio is less than 50 percent of the relevant host state loan-to-deposit ratio.
(b) *Results of screen.* (1) If the FDIC determines that the bank's statewide loan-to-deposit ratio is 50 percent or more of the host state loan-to-deposit ratio, no further consideration under this part is required.
(2) If the FDIC determines that the bank's statewide loan-to-deposit ratio is less than 50 percent of the host state loan-to-deposit ratio, or if reasonably available data are insufficient to calculate the bank's statewide loan-to-deposit ratio, the FDIC will make a credit needs determination for the bank as provided in section 369.4.

Section 369.4—Credit needs determination.

(a) *In general.* The FDIC will review the loan portfolio of the bank and determine whether the bank is reasonably helping to meet the credit needs of the communities in the host state that are served by the bank.
(b) *Guidelines.* The FDIC will use the following considerations as guidelines when making the determination pursuant to paragraph (a) of this section:
(1) Whether covered interstate branches were formerly part of a failed or failing depository institution;
(2) Whether covered interstate branches were acquired under circumstances where there was a low loan-to-deposit ratio because of the nature of the acquired institution's business or loan portfolio;
(3) Whether covered interstate branches have a high concentration of commercial or credit card lending, trust services, or other specialized activities, including the extent to which the covered interstate branches accept deposits in the host state;
(4) The Community Reinvestment Act (CRA) ratings received by the bank, if any, under 12 U.S.C. 2901 *et seq.;*
(5) Economic conditions, including the level of loan demand, within the communities served by the covered interstate branches;
(6) The safe and sound operation and condition of the bank; and
(7) The FDIC's Community Reinvestment regulations (12 C.F.R. Part 345) and interpretations of those regulations.

Section 369.5—Sanctions.

(a) *In general.* If the FDIC determines that a bank is not reasonably helping to meet the credit needs of the communities served by the bank in the host state, and that the bank's statewide loan-to-deposit ratio is less than 50 percent of the host state loan-to-deposit ratio, the FDIC:
(1) May order that a bank's covered interstate branch or branches be closed unless the bank provides reasonable assurances to the satisfaction of the FDIC, after an opportunity for public comment, that the bank has an acceptable plan under which the bank will reasonably help to meet the credit needs of the communities served by the bank in the host state; and
(2) Will not permit the bank to open a new branch in the host state that would be considered to be a covered interstate branch unless the bank provides reasonable assurances to the satisfaction of the FDIC, after an opportunity for public comment, that the bank will reasonably help to meet the credit needs of the community that the new branch will serve.
(b) *Notice prior to closure of a covered interstate branch.* Before exercising the FDIC's authority to order the bank to close a covered interstate branch, the FDIC will issue to the bank a notice of the FDIC's intent to order the closure and will schedule a hearing within 60 days of issuing the notice.
(c) *Hearing.* The FDIC will conduct a hearing scheduled under paragraph (b) of this section in accordance with the provisions of 12 U.S.C. 1818(h) and 12 C.F.R. Part 308.

FINAL RULE—AMENDMENT TO REGULATION J

The Board of Governors is amending 12 C.F.R. Part 210, its Regulation J (Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers Through Fedwire). The Reserve Banks will begin to implement a policy under which each depository institution may maintain only a single funds account with the Federal Reserve. A single account will establish a single debtor-creditor relationship between each institution and a Federal Reserve Bank and will make account management more efficient for banks with interstate branches. The Board is adopting amendments to subpart A of Regulation J to conform the Federal Reserve check collection rules to the single account structure.

Effective January 2, 1998, 12 C.F.R. Part 210 is amended as follows:

Part 210—Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers Through Fedwire (Regulation J)

1. The authority citation for Part 210 continues to read as follows:

Authority: 12 U.S.C. 248(i), (j), and (o), 342, 360, 464, and 4001-4010.

2. Section 210.2 is amended by redesignating paragraph (a) and paragraphs (b) through (p) as paragraph (b) and paragraphs (d) through (r), respectively; adding new paragraphs (a) and (c); and revising newly redesignated paragraphs (d), (g) introductory text, and (g)(2) to read as follows:

Section 210.2—Definitions.

* * * * *

(a) *Account* means an account with reserve or clearing balances on the books of a Federal Reserve Bank. A subaccount is an informational record of a subset of transactions that affect an account and is not a separate account.

* * * * *

(c) *Administrative Reserve Bank* with respect to an entity means the Reserve Bank in whose District the entity is located, as determined under the procedure described in section 204.3(b)(2) of this chapter (Regulation D), even if the entity is not otherwise subject to that section.

* * * * *

(d) *Bank* means any person engaged in the business of banking. A branch or separate office of a bank is a separate bank to the extent provided in the Uniform commercial Code.

* * * * *

(g) *Cash item* means—

* * * * *

(2) Any other item payable on demand and collectible at par that the Reserve Bank that receives the item is willing to accept as a cash item. *Cash item* does not include a returned check.

* * * * *

3. In section 210.3, the last sentence of paragraph (a) is revised to read as follows:

Section 210.3—General provisions.

(a) *General.* * * * The circulars may, among other things, classify cash items and noncash items, require separate sorts and letters, provide different closing times for the receipt of different classes or types of items, provide for instructions by an Administrative Reserve Bank to other Reserve Banks, set forth terms of services, and establish procedures for adjustments on a Reserve Bank's books, including amounts, waiver of expenses, and payment of interest by as-of adjustment.

* * * * *

4. Section 210.4 is revised to read as follows:

Section 210.4—Sending items to Reserve Banks.

(a) *Sending of items.* A sender, other than a Reserve Bank, may send any item to any Reserve Bank, whether or not the item is payable within the Reserve Bank's District, unless the sender's Administrative Reserve Bank directs the sender to send the item to a specific Reserve Bank.

(b) *Handling of items.* (1) The following parties, in the following order, are deemed to have handled an item that is sent to a Reserve Bank for collection—

(i) The initial sender;

(ii) The initial sender's Administrative Reserve Bank;

(iii) The Reserve Bank that receives the item from the initial sender (if different from the initial sender's Administrative Reserve Bank); and

(iv) Another Reserve Bank, if any, that receives the item from a Reserve Bank.

(2) A Reserve Bank that is not described in paragraph (b)(1) of this section is not a party that handles an item and is not a collecting bank with respect to an item.

(3) The identity and order of the parties under paragraph (b)(1) of this section determine the relationships and the rights and liabilities of the parties under this subpart, Part 229 of this chapter (Regulation CC), and the Uniform Commercial Code. An initial sender's Administrative Reserve Bank that is deemed to handle an item is also deemed to be a sender with respect to that item. The Reserve Banks that are deemed to handle an item are deemed to be agents or subagents of the owner of the item, as provided in section 210.6(a) of this subpart.

(c) *Checks received at par.* The Reserve Banks shall receive cash items and other checks at par.

5. In section 210.5, paragraphs (a)(1) and (c) and the first sentence of paragraph (d) are revised to read as follows:

Section 210.5—Sender's agreement; recovery by Reserve Bank.

(a) * * *

(1) Authorizes the sender's Administrative Reserve Bank and any other Reserve Bank or collecting bank to which the item is sent to handle the item (and authorizes any Reserve Bank that handles settlement for the item to make accounting entries), subject to this subpart and to the Reserve Banks' operating circulars, and warrants its authority to give this authorization;

* * * * *

(c) *Methods of recovery.* (1) The Reserve Bank may recover the amount stated in paragraph (b) of this section by charging any account on its books that is maintained or used by the sender (or by charging a Reserve Bank sender), if—

(i) The Reserve Bank made reasonable written demand on the sender to assume defense of the action or proceeding; and

(ii) The sender has not made any other arrangement for payment that is acceptable to the Reserve Bank.

(2) The Reserve Bank is not responsible for defending the action or proceeding before using this method of recovery. A Reserve Bank that has been charged under this paragraph (c) may recover from its sender in the manner and under the circumstances set forth in this paragraph (c). A Reserve Bank's failure to avail itself of the remedy provided in this paragraph (c) does not prejudice its enforcement in any other manner of the indemnity agreement referred to in paragraph (a)(3) of this section.

(d) *Security interest.* When a sender sends an item to a Reserve Bank, the sender and any prior collecting bank grant to the sender's Administrative Reserve Bank a security interest in all of their respective assets in the possession of, or held for the account of, any Reserve Bank to secure their respective obligations due or to become due to the Administrative Reserve Bank under this subpart or subpart C of part 229 of this chapter (Regulation CC). * * *

6. In section 210.6, paragraphs (a)(1) and (b) are revised to read as follows:

Section 210.6—Status, warranties, and liability of Reserve Bank.

(a)(1) *Status and liability.* A Reserve Bank that handles an item shall act as agent or subagent of the owner with respect to the item. This agency terminates when a Reserve Bank receives final payment for the item in actually and finally collected funds, a Reserve Bank makes the proceeds available for use by the sender, and the time for commencing all actions against the Reserve Bank has expired. A Reserve Bank shall not have or assume any liability with respect to an item or its proceeds except—

(i) For the Reserve Bank's own lack of good faith or failure to exercise ordinary care;

(ii) As provided in paragraph (b) of this section; and

(iii) As provided in subpart C of Part 229 of this chapter (Regulation CC).

* * * * *

(b) *Warranties and liability.* (1) By presenting or sending an item, a Reserve Bank warrants to a subsequent collecting bank and to the paying bank and any other payor—

(i) That the Reserve Bank is a person entitled to enforce the item (or is authorized to obtain payment of the item on behalf of a person who is either entitled to enforce the item or authorized to obtain payment on behalf of a person entitled to enforce the item); and

(ii) That the item has not been altered.

(2) The Reserve Bank also makes the warranties set forth in section 229.34(c) of this chapter, subject to the terms of Part 229 of this chapter (Regulation CC). The Reserve Bank shall not have or assume any other liability to the paying bank or other payor, except for the Reserve Bank's own lack of good faith or failure to exercise ordinary care.

* * * * *

7. In section 210.7, paragraph (c) introductory text and paragraph (d) are revised to read as follows:

Section 210.7—Presenting items for payment.

* * * * *

(c) *Presenting or sending direct.* A Reserve Bank or subsequent collecting bank may, with respect to an item that may be sent to the paying bank or nonbank payor in the Reserve Bank's District—

* * * * *

(d) *Item sent to another district.* A Reserve Bank receiving an item that may be sent to a paying bank or nonbank payor in another District ordinarily sends the item to the Reserve Bank of the other District, but with the agreement of the other Reserve Bank, may present or send the item as if it were sent to a paying bank or nonbank payor in its own District.

8. Section 210.8 is revised to read as follows:

Section 210.8—Presenting noncash items for acceptance.

(a) A Reserve Bank or a subsequent collecting bank may, if instructed by the sender, present a noncash item for acceptance in any manner authorized by law if—

(1) The item provides that it must be presented for acceptance;

(2) The item may be presented elsewhere than at the residence or place of business of the payor; or

(3) The date of payment of the item depends on presentment for acceptance.

(b) Documents accompanying a noncash item shall not be delivered to the payor upon acceptance of the item unless the sender specifically authorizes delivery. A Reserve Bank shall not have or assume any other obligation to present or to send for presentment for acceptance any noncash item.

9. Section 210.9 is amended by redesignating paragraphs (a) through (e) as paragraphs (b) through (f); adding a new paragraph (a); revising newly redesignated paragraphs (b) and (c); and in newly redesignated paragraph (f) removing the references "paragraphs (a), (b), and (c)" and adding in their place "paragraphs (b), (c), and (d)".

Section 210.9—Settlement and payment.

(a) *Settlement through Administrative Reserve Bank.* A paying bank shall settle for an item under this subpart with its Administrative Reserve Bank, whether or not the paying bank received the item from that Reserve Bank. A paying bank's settlement with its Administrative Reserve Bank is deemed to be settlement with the Reserve Bank from which the paying bank received the item. A paying bank may settle for an item using any account on a Reserve Bank's books by agreement with its Administrative Reserve Bank, any other Reserve Bank holding the settlement account, and the account-holder. The paying bank remains responsible for settlement if the Reserve Bank holding the settlement account does not, for any reason, obtain settlement in that account.

(b) *Cash items* — (1) *Settlement obligation.* On the day a paying bank receives[2] a cash item from a Reserve Bank, it shall settle for the item such that the proceeds of the settlement are available to its Administrative Reserve Bank by the close of Fedwire on that day, or it shall return the item by the later of the close of its banking day or the close of Fedwire. If the paying bank fails to settle for or return a cash item in accordance with this paragraph (b)(1), it is accountable for the amount of the item as of the close of its banking day or the close of Fedwire on the day it receives the item, whichever is earlier.

(2) *Time of settlement.* (i) On the day a paying bank receives a cash item from a Reserve Bank, it shall settle for the item so that the proceeds of the settlement are available to its Administrative Reserve Bank, or return the item, by the latest of—

(A) The next clock hour that is at least one hour after the paying bank receives the item;

(B) 9:30 a.m. Eastern Time; or

(C) Such later time as provided in the Reserve Banks' operating circulars.

(ii) If the paying bank fails to settle for or return a cash item in accordance with paragraph (b)(2)(i) of this section, it shall be subject to any applicable overdraft charges. Settlement under paragraph (b)(2)(i) of this section satisfies the settlement requirements of paragraph (b)(1) of this section.

(3) *Paying bank closes voluntarily. (i)* If a paying bank closes voluntarily so that it does not receive a cash item on a day that is a banking day for a Reserve Bank, and the Reserve Bank makes the cash item available to the paying bank on that day, the paying bank shall either—

(A) On that day, settle for the item so that the proceeds of the settlement are available to its Administrative Reserve Bank, or return the item, by the latest of the next clock hour that is at least one hour after it ordinarily would have received the item, 9:30 a.m. Eastern Time, or such later time as provided in the Reserve Banks' operating circulars; or

(B) On the next day that is a banking day for both the paying bank and the Reserve Bank, settle for the item so that the proceeds of the settlement are available to its Administrative Reserve Bank by 9:30 a.m. Eastern Time on that day or such later time as provided in the Reserve Banks' operating circulars and compensate the Reserve Bank for the value of the float associated with the item in accordance with procedures provided in the Reserve Bank's operating circular.

(ii) If a paying bank closes voluntarily so that it does not receive a cash item on a day that is a banking day for a Reserve Bank, and the Reserve Bank makes the cash item available to the paying bank on that day, the paying bank is not considered to have received the item until its next banking day, but it shall be subject to any applicable overdraft charges if it fails to settle for or return the item in accordance with paragraph (b)(3)(i) of this section. The settlement requirements of paragraphs (b)(1) and (b)(2) of this section do not apply to a paying bank that settles in accordance with paragraph (b)(3)(i) of this section.

(4) *Reserve Bank closed.* (i) If a paying bank receives a cash item from a Reserve Bank on a banking day that is not a banking day for the Reserve Bank, the paying bank shall—

(A) Settle for the item so that the proceeds of the settlement are available to its Administrative Reserve Bank by the close of Fedwire on the Reserve Bank's next banking day, or return the item by midnight of the day it receives the item (if the paying bank fails to settle for or return a cash item in accordance with this paragraph (b)(4)(i)(A), it shall become accountable for the amount of the item as of the close of its banking day on the day it receives the item); and

(B) Settle for the item so that the proceeds of the settlement are available to its Administrative Reserve Bank by 9:30 a.m. Eastern Time on the Reserve Bank's next banking day or such later time as provided in the Reserve Bank's operating circular, or return the item by midnight of the day it receives the item. If the paying bank fails to settle for or return a cash item in accordance with this paragraph (b)(4)(i)(B), it shall be subject to any applicable overdraft charges. Settlement under this paragraph (b)(4)(i)(B) satisfies the settlement requirements of paragraph (b)(4)(i)(A) of this section.

(ii) The settlement requirements of paragraphs (b)(1) and (b)(2) of this section do not apply to a paying bank that settles in accordance with paragraph (b)(4)(i) of this section.

(5) *Manner of settlement.* Settlement with a Reserve Bank under paragraphs (b)(1) through (4) of this section

2. A paying bank is deemed to receive a cash item on its next banking day if it receives the item—

(1) On a day other than a banking day for it; or

(2) On a banking day for it, but after a "cut-off hour" established by it in accordance with state law.

shall be made by debit to an account on the Reserve Bank's books, cash, or other form of settlement to which the Reserve Bank agrees, except that the Reserve Bank may, in its discretion, obtain settlement by charging the paying bank's account. A paying bank may not set off against the amount of a settlement under this section the amount of a claim with respect to another cash item, cash letter, or other claim under section 229.34(c) of this chapter (Regulation CC) or other law.

(6) *Notice in lieu of return.* If a cash item is unavailable for return, the paying bank may send a notice in lieu of return as provided in section 229.30(f) of this chapter (Regulation CC).

(c) *Noncash items.* A Reserve Bank may require the paying or collecting bank to which it has presented or sent a noncash item to pay for the item in cash, but the Reserve Bank may permit payment by a debit to an account maintained or used by the paying or collecting bank on a Reserve Bank's books or by any of the following that is in a form acceptable to the collecting Reserve Bank: bank draft, transfer of funds or bank credit, or any other form of payment authorized by State law.

* * * * *

10. Section 210.10 is revised to read as follows:

Section 210.10—Time schedule and availability of credits for cash items and returned checks.

(a) Each Reserve Bank shall include in its operating circulars a time schedule for each of its offices indicating when the amount of any cash item or returned check received by it is counted as reserves for purposes of Part 204 of this chapter (Regulation D) and becomes available for use by the sender or paying or returning bank. The Reserve Bank that holds the settlement account shall give either immediate or deferred credit to a sender, a paying bank, or a returning bank (other than a foreign correspondent) in accordance with the time schedule of the receiving Reserve Bank. A Reserve Bank ordinarily gives credit to a foreign correspondent only when the Reserve Bank receives payment of the item in actually and finally collected funds, but, in its discretion, a Reserve Bank may give immediate or deferred credit in accordance with its time schedule.

(b) Notwithstanding its time schedule, a Reserve Bank may refuse at any time to permit the use of credit given by it for any cash item or returned check, and may defer availability after credit is received by the Reserve Bank for a period of time that is reasonable under the circumstances.

11. In section 210.11, the last sentence of paragraph (b) is revised to read as follows:

Section 210.11—Availability of proceeds of noncash items; time schedule.

* * * * *

(b) * * * A Reserve Bank may, however, refuse at any time to permit the use of credit given by it for a noncash item for which the Reserve Bank has not yet received payment in actually and finally collected funds.

* * * * *

12. Section 210.12 is amended by revising paragraphs (a), (b), and (c)(1), the first sentence of paragraph (d), paragraphs (f) and (h), and the first sentence of paragraph (i); and by removing the last sentence of paragraph (g) to read as follows:

Section 210.12—Return of cash items and handling of returned checks.

(a) *Return of items* — (1) *Return of cash items handled by Reserve Banks.* A paying bank that receives a cash item from a Reserve Bank, other than for immediate payment over the counter, and that settles for the item as provided in section 210.9(b) of this subpart, may, before it has finally paid the item, return the item to any Reserve Bank (unless its Administrative Reserve Bank directs it to return the item to a specific Reserve Bank) in accordance with subpart C of Part 229 of this chapter (Regulation CC), the Uniform Commercial Code, and the Reserve Banks' operating circulars. A paying bank that receives a cash item from a Reserve Bank also may return the item prior to settlement, in accordance with section 210.9(b) of this subpart and the Reserve Banks' operating circulars. The rules or practices of a clearinghouse through which the item was presented, or a special collection agreement under which the item was presented, may not extend these return times, but may provide for a shorter return time.

(2) *Return of checks not handled by Reserve Banks.* A paying bank that receives a check as defined in section 229.2(k) of this chapter (Regulation CC), other than from a Reserve Bank, and that determines not to pay the check, may send the returned check to any Reserve Bank (unless its Administrative Reserve Bank directs it to send the returned check to a specific Reserve Bank) in accordance with subpart C of Part 229 of this chapter (Regulation CC), the Uniform Commercial Code, and the Reserve Banks' operating circulars. A returning bank may send a returned check to any Reserve Bank (unless its Administrative Reserve Bank directs it to send the returned check to a specific Reserve Bank) in accordance with subpart C of Part 229 of this chapter (Regulation CC), the Uniform Commercial Code, and the Reserve Banks' operating circulars.

(b) *Handling of returned checks.* (1) The following parties, in the following order, are deemed to have handled a returned check sent to a Reserve Bank under paragraph (a) of this section—

(i) The paying or returning bank;

(ii) The paying bank's or returning bank's Administrative Reserve Bank;

(iii) The Reserve Bank that receives the returned check from the paying or returning bank (if different from the paying bank's or returning bank's Administrative Reserve Bank); and

(iv) Another Reserve Bank, if any, that receives the returned check from a Reserve Bank.

(2) A Reserve Bank that is not described in paragraph (b)(1) of this section is not a party that handles a returned check and is not a returning bank with respect to a returned check.

(3) The identity and order of the parties under paragraph (b)(1) of this section determine the relationships and the rights and liabilities of the parties under this subpart, Part 229 of this chapter (Regulation CC), and the Uniform Commercial Code.

(c) *Paying bank's and returning bank's agreement.* * * *

(1) Authorizes the paying or returning bank's Administrative Reserve Bank, and any other Reserve Bank or returning bank to which the returned check is sent, to handle the returned check (and authorizes any Reserve Bank that handles settlement for the returned check to make accounting entries) subject to this subpart and to the Reserve Banks' operating circulars;

* * * * *

(d) *Warranties by Reserve Bank.* By handling a returned check under this subpart, a Reserve Bank makes the returning bank warranties as set forth in section 229.34 of this chapter, subject to the terms of Part 229 of this chapter (Regulation CC). * * *

* * * * *

(f) *Methods of recovery.* (1) The Reserve Bank may recover the amount stated in paragraph (d) of this section by charging any account on its books that is maintained or used by the paying or returning bank (or by charging another returning Reserve Bank), if—

(i) The Reserve Bank made seasonable written demand on the paying or returning bank to assume defense of the action or proceeding; and

(ii) The paying or returning bank has not made any other arrangement for payment that is acceptable to the Reserve Bank.

(2) The Reserve Bank is not responsible for defending the action or proceeding before using this method of recovery. A Reserve Bank that has been charged under paragraph (f) may recover from the paying or returning bank in the manner and under the circumstances set forth in paragraph (f). A Reserve Bank's failure to avail itself of the remedy provided in paragraph (f) does not prejudice its enforcement in any other manner of the indemnity agreement referred to in paragraph (c)(3) of this section.

* * * * *

(h) *Settlement.* A subsequent returning bank or depositary bank shall settle with its Administrative Reserve Bank for returned checks in the same manner and by the same time as for cash items presented for payment under this subpart. Settlement with its Administrative Reserve Bank is deemed to be settlement with the Reserve Bank from which the returning bank or depositary bank received the item.

(i) *Security interest.* When a paying or returning bank sends a returned check to a Reserve Bank, the paying bank, returning bank, and any prior returning bank grant to the paying bank's or returning bank's Administrative Reserve Bank a security interest in all of their respective assets in the possession of, or held for the account of, any Reserve Bank, to secure their respective obligations due or to become due to the Administrative Reserve Bank under this subpart or subpart C of Part 229 of this chapter (Regulation CC). * * *

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

ANB Holding Company, Ltd.,
ANB Corporation
Terrell, Texas

Order Approving Acquisition of Shares of a Bank Holding Company

ANB Holding Company, Ltd. and ANB Corporation, both in Terrell, Texas (collectively, "Applicant"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. 1842) to acquire up to approximately 41 percent of the voting shares of Lakeside Bancshares, Inc. ("Bancshares"), and thereby acquire its subsidiary bank, Lakeside National Bank, both in Rockwall, Texas ("Bank").[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 42,130 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Applicant is the 44th largest depository institution in Texas, controlling approximately $413 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state.[2] Bancshares, is the 638th largest depository institution in Texas, controlling approximately $23.4 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state. On consummation of this proposal, Applicant would become the 41st largest depository institution in Texas, controlling deposits of $436.4 million, representing less than 1 percent of the total deposits in depository institutions in the state.

1. Bancshares owns 94.5 percent of the voting shares of Bank. Applicant also proposes to acquire less than 1 percent of the voting shares of Bank.

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

Competitive Considerations

The BHC Act provides that the Board may not approve a proposal submitted under section 3 of the Act if the proposal would result in a monopoly or if the effect of the proposal may be to lessen competition substantially in any relevant market unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. In evaluating the competitive effects of this proposal, the Board has carefully considered Bank's contentions that consummation of this proposal would result in significantly adverse effects on the concentration of resources and competition for banking services. Bank contends that the appropriate product market for analyzing the competitive effects of this transaction is small business lending and that the appropriate geographic market for analyzing these effects is Rockwall County, Texas.[3]

The Board and the courts consistently have recognized that the appropriate product market for evaluating the competitive effects of bank mergers and acquisitions is the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) offered by banking institutions.[4] Bank presents no facts to support an alternative product market of small business loans in this case, and the institutions to be combined are both commercial banks that offer a wide range of banking products and services. Based on all the facts of record, the Board concludes that the appropriate product market in this case is the cluster of banking products and services.

The Board and the courts have found that the relevant geographic market for analyzing the competitive effect of a proposal must reflect commercial and banking realities and should consist of the local area where the banks involved offer their services and where local customers can practicably turn for alternatives.[5] In making a determination on the geographic market in this case, the Board has considered worker commuting patterns (as indicated by census data) and other *indicia* of economic integration and transmission of competitive forces among depository institutions.

Census Bureau data for 1990 indicate that 56.3 percent of Rockwall County's residents commute to jobs in the adjacent Dallas County. Rockwall County is connected to Dallas County by two highways,[6] and the community of Rockwall, where almost all of the county's banking offices are located, is approximately five miles from the Dallas County line.

Rockwall and Dallas Counties also have a significant amount of common advertising media, including newspapers, radio, and television. Of the approximately 11,000 households in Rockwall County, for example, 5,023 receive the Dallas Morning News daily, and 8,304 receive the newspaper on Sundays. This newspaper prints a survey of Dallas area lenders' mortgage rates every Friday and features regular advertisements by Dallas area banks and nonbanks for both loan and deposit products.[7]

These demographic data are corroborated by the inclusion of Rockwall County in the definition of the Dallas Metropolitan Statistical Area ("MSA"). MSAs are defined by the Office of Management and Budget based on an area's population and include surrounding counties with strong economic and social ties to the central county. Rockwall County also is included within the Dallas-Ft. Worth Ranally Metropolitan Area ("RMA"). An RMA is a privately defined geographic area that is compact, with relatively high population density that is linked by commuting, retail and wholesale trade patterns. The Board previously has used RMA designations as guides in defining relevant geographic banking markets.[8]

Based on all the facts of record, and for the reasons discussed above, the Board concludes that the relevant

3. Bank states that Applicant's substantial ownership interest in a competitor could weaken or eliminate the independent actions of a direct competitor. For purposes of the BHC Act, a company controls another company if that company owns more than 25 percent of the outstanding voting shares of another company. 12 U.S.C. § 1841(a)(2(A). In this light, the Board's analysis of the competitive effects of the proposal assumes that Bank would not compete independently with Applicant.

4. *See United States v. Philadelphia National Bank,* 374 U.S. 321, 357 (1963). *Accord United States v. Connecticut National Bank,* 418 U.S. 656 (1974); *United States v. Phillipsburg National Bank,* 399 U.S. 350 (1969) (*"U.S. v. Phillipsburg"*). *See also Chemical Banking Corporation,* 82 *Federal Reserve Bulletin* 239 (1997).

5. *See St. Joseph Valley Bank,* 68 *Federal Reserve Bulletin* 673 (1982). The key question to be considered in making this selection "is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate." *United States v. Philadelphia Nat'l Bank,* 374 U.S. 321, 374 (1963); *United States v. Phillipsburg Nat'l Bank,* 399 U.S. 350 (1969).

6. Bank maintains that Rockwall County is physically separated from Dallas County by a lake and that two roads do not provide sufficient access to Dallas County. Rockwall County and the Dallas area are connected by U.S. Interstate Highway 30 ("Interstate 30"), which runs south from Rockwall County to downtown Dallas, and State Highway 66, which runs west from Rockwall County to the north Dallas area. Interstate 30 has been and continues to be widened to six lanes, and in some areas to eight lanes. Traffic count data show extensive driving activity between the two counties.

7. Bank contends that the business focus of Applicant's Rockwall County branches and Bank is local and that these banking offices only advertise their services in local newspapers. Bank also notes that its designated service area under the Community Reinvestment Act (12 U.S.C. 2901 *et seq.*) ("CRA") is limited to Rockwall County. As discussed previously, the key question when identifying the relevant geographic market for analyzing the competitive effects of a transaction is where will the effect of the merger on competition be direct and immediate within the area of competitive overlap rather than where will the institutions actually do business. Economic and demographic factors in this case, including the availability of media sources for information on competing banking products and the widespread commuting and travel in the area, show that customers of Rockwall County banks have access to competitors of and reasonable substitutes for these banks in an area much larger than Rockwall County. The Board also has noted that a bank's delineated community under the CRA does not necessarily represent the appropriate geographic market for analyzing the competitive effects of a proposal. *See Flathead Holding Company,* 82 *Federal Reserve Bulletin* 741, n.11 (1996).

8. *See St. Joseph Valley Bank,* 68 *Federal Reserve Bulletin* at 647.

banking market for assessing the competitive effects of this proposal is the Dallas, Texas, banking market ("Dallas banking market") which is an area approximately equivalent to the Dallas-Ft. Worth RMA and includes Rockwall County.[9]

Applicant is the 19th largest depository institution in the Dallas banking market, controlling deposits of approximately $277 million, representing less than 1 percent of the total deposits in depository institutions in the market ("market deposits").[10] Bank is the 79th largest depository institution in the market, controlling deposits of approximately $23.4 million, representing less than 1 percent of market deposits. On consummation of this proposal, Applicant would become the 18th largest depository institution in the Dallas banking market, controlling deposits of approximately $300.4 million, representing less than 1 percent of market deposits. The market, as measured by the Herfindahl–Hirschman Index ("HHI"), would remain moderately concentrated after consummation of this transaction, and the HHI would remain unchanged at 1444 points.[11] Approximately 100 depository institutions would remain as competitors in the Dallas banking market. The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Dallas banking market or any other relevant banking market.[12]

In light of all the facts of record, and after carefully considering the comments of Bank, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or the concentration of banking resources in the Dallas banking market, or any other relevant banking market.

9. The Dallas banking market is approximated by Dallas County, the southeastern quadrant of Denton County (including Denton and Lewisville), the southwest quadrant of Collin County (including McKinney and Plano), Rockwall County, the communities of Forney and Terrell in Kaufman County, Midlothian, Waxahachie and Ferris in Ellis County, and Grapevine and Arlington in Tarrant County.

10. Market share data are as of June 30, 1996. These data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board has previously 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).

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

12. The Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation also have not objected to the proposal.

Other Factors

The Board has carefully reviewed the financial and managerial resources and future prospects of Applicant and Bancshares, and their subsidiary banks, in light of all the facts of record. The Board notes that Applicant, Bancshares and Bank are in satisfactory financial condition and would remain so after consummation of the proposal. In addition, reports of examination assessing the managerial resources of Applicant indicate this factor is consistent with approval.

Based on all the facts of record, the Board concludes that considerations related to the financial and managerial resources and future prospects of Applicant, Bancshares, and their subsidiary banks, are consistent with approval, as are other supervisory factors the Board must consider.[13] Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of this application.[14]

Conclusion

Based on all the facts of record, the Board has determined that this application should be, and hereby is, approved.[15]

13. Bank questions whether Applicant should be permitted to acquire a minority interest in Bancshares without committing to be a passive investor. The BHC Act contemplates that a bank holding company may seek to acquire less than a majority interest in another bank holding company or bank, and does not require that these less-than-majority investments be passive. To the contrary, the BHC Act defines a bank holding company as controlling any company in which the bank holding company owns a greater than 25 percent voting interest. As noted above, the Board has analyzed this proposal in light of the BHC Act's definition that the acquisition would cause Applicant to control Bancshares and Bank.

14. The Board notes that the most recent performance evaluation of Applicant's subsidiary bank, American National Bank of Texas, Terrell, Texas ("ANBT"), under the CRA by its primary federal supervisor, the OCC, was "outstanding." Examiners found that the bank offered a number of products to assist in meeting the credit needs of its communities and stated that ANBT has an excellent record of lending to small businesses.

15. Bank has requested a hearing on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation from the OCC, Bank's primary federal supervisor.

Under its rules, the Board may also, 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. 225.16(e). The Board has carefully considered Bank's request for a hearing in light of all the facts of record. In the Board's view, Bank has had ample opportunity to submit its views, and has submitted written comments that have been carefully considered by the Board in acting on this application. Bank's request fails to demonstrate why its written presentations do not adequately present its evidence, allegations and views. After a careful review of all the facts of record, moreover, the Board has concluded that Bank disputes the weight that should be accorded to, and the conclusions that the Board should draw from, the facts of record, but does not identify disputed issues of fact that are material to the Board's decision. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or war-

The Board's approval is specifically conditioned on compliance by Applicant with all the commitments made in connection with this application. For the purpose of this action, the commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The proposed acquisition of Bancshares shall not be consummated before the fifteenth calendar day following the effective date of this order, and not later than three months after the effective date of this order, unless 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 29, 1997.

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

WILLIAM W. WILES
Secretary of the Board

ranted to clarify the factual record in the application, or otherwise warranted in this case. Accordingly, the request for a hearing on the proposal is hereby denied.

The Chase Manhattan Corporation Chase Holding Delaware Inc. New York, New York

Order Approving the Acquisition of a Bank

The Chase Manhattan Corporation ("Chase") and Chase Holding Delaware Inc., both of New York, New York, bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of Chase Manhattan Bank and Trust Company, National Association, Los Angeles, California ("Chase Trust"), a *de novo* bank.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 40,087 and 41,387 (1997)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.

Chase, with total consolidated assets of approximately $340.3 billion, is the largest commercial banking organization in the United States and controls 5.1 percent of the total banking assets of insured commercial banks in the nation.[1] Chase's subsidiary banks operate in New York, New Jersey, Connecticut, Delaware, Florida, and California. Chase also engages in a number of permissible nonbanking activities nationwide.

Chase proposes to establish Chase Trust as part of a multi-step reorganization of existing businesses that Chase currently conducts through two California-based nonbank trust companies, and a branch in Los Angeles, California, of Chase Manhattan Private Bank, National Association, Tampa, Florida ("Chase-Florida").[2] Chase previously committed to the OCC and the California Superintendent of Banks that the business of the Los Angeles branch of Chase-Florida would be conducted by a subsidiary of Chase headquartered in California by January 1, 1998, and consummation of the proposal would fulfill these commitments.[3]

Interstate Analysis

Section 3(d) of the BHC Act, as amended by section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company, if certain conditions are met.[4] For purposes of the BHC Act, Chase's home state is New York, and Chase would acquire a bank in California on consummation of the proposal. The conditions for an interstate acquisition under section 3(d) are met in this case,[5] and the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

1. Asset data are as of March 31, 1997.

2. The Chase Manhattan Trust Company of California, N.A. ("National Trust") and Chase Trust Company of California ("State Trust"), both uninsured nonbank trust companies in San Francisco, California, would consolidate with and into a newly established nationally chartered trust association under the name of Chase Trust. Chase Trust would obtain full commercial banking powers from the Office of the Comptroller of the Currency ("OCC") and deposit insurance from the Federal Deposit Insurance Corporation ("FDIC"), thereby becoming a "bank" for purposes of the BHC Act. Chase Trust would then acquire the Los Angeles branch of Chase-Florida as the last step of the reorganization. The OCC has approved Chase's applications to charter the new trust association, consolidate National Trust and State Trust into the new trust association, and obtain full commercial banking powers for the new trust association. Chase Trust also has filed an application with the FDIC to obtain deposit insurance.

3. Chase made the commitments in connection with the merger of Chemical Bank FSB, Palm Beach, Florida, with and into Chase-Florida in November 1996. The Los Angeles branch was a branch of Chemical Bank FSB prior to the merger.

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

5. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Chase is adequately capitalized and adequately managed. On consummation of the proposal, Chase and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits of insured depository institutions in California. In addition, all other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly, or would substantially lessen competition in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served. The proposal represents a reorganization of Chase's existing banking and related businesses in California. Based on all the facts of record, the Board concludes that consummation of the proposal would not have any significantly adverse effects on competition or on concentration of banking resources in any relevant banking market.

Other Factors Under the BHC Act

The BHC Act also requires the Board, in acting on an application, to consider the financial and managerial resources of the companies and banks involved, the convenience and needs of the communities to be served, and certain other supervisory factors.

A. Financial, Managerial and other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of Chase and Chase Trust and other supervisory factors in light of all the facts of record. These facts include supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential financial information submitted by Chase. Based on these and all the facts of record, the Board concludes that financial and managerial considerations, and all other supervisory factors that must be considered under section 3 of the BHC Act, are consistent with approval.

B. Convenience and Needs Considerations

The Board also has carefully considered the effect of the proposed transaction on the convenience and needs of the communities to be served in light of all the facts of record. Chase states that Chase Trust will provide certain commercial banking services that currently are not offered by National Trust and State Trust, and that Chase Trust will hire an officer to manage the programs and policies relating to the bank's performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The Board notes, moreover, that the proposal represents an internal reorganization of existing businesses that would allow Chase to comply with commitments to federal and state banking supervisors, and that consummation of the proposal would not result in an expansion of Chase's deposit-taking facilities in California.

CRA Performance Record of Chase. The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the CRA. As provided in the CRA, the Board has evaluated this factor in light of examinations by the primary federal supervisors of the CRA performance records of the relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the application process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[6]

Chase's lead bank, The Chase Manhattan Bank, New York, New York ("Chase Bank"), was formed by the merger of the lead banks of Chemical Banking Corporation ("Old Chemical") and The Chase Manhattan Corporation ("Old Chase"), both of New York, New York, as part of the merger of Old Chemical and Old Chase approved by the Board in January 1996.[7] Chase Bank has not been publicly evaluated for CRA performance since the merger.

Before the merger, Old Chemical's lead bank received an "outstanding" rating from the Federal Reserve Bank of New York ("Reserve Bank") at its most recent examination for CRA performance, as of March 13, 1995. Old Chase's lead bank and Chase-Florida also received "outstanding" ratings from the OCC, their primary federal supervisor, at their most recent examinations for CRA performance, as of October 27, 1995.[8] All of Chase's other subsidiary banks have been examined for CRA performance after the merger of Old Chemical and Old Chase, and have received an "outstanding" or "satisfactory" rating from their primary federal supervisors at their most recent examinations.[9]

The Board previously reviewed Chase's record of CRA performance in connection with approving the merger of Old Chemical and Old Chase, and more recently in connection with approving Chase Bank's merger with Chemical

6. The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. *See* 54 *Federal Register* 13,742 and 13,745 (1989).

7. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239 (1996) ("Chemical/Chase Order").

8. Chemical Bank FSB also received a "satisfactory" rating from the Office of Thrift Supervision at its most recent CRA performance examination, as of March 6, 1995, prior to its merger into Chase-Florida.

9. The following subsidiary banks of Chase have received the indicated ratings from the OCC, their primary federal supervisor, since the merger of Old Chemical and Old Chase: Texas Commerce Bank, Houston, Texas, rated "outstanding" as of September 9, 1996; Texas Commerce Bank-San Angelo, San Angelo, Texas, rated "satisfactory" as of August 8, 1996; Chase Manhattan Bank USA, N.A., Wilmington, Delaware ("Chase USA-Delaware"), rated "satisfactory" as of October 8, 1996; and Chase Manhattan Bank USA, N.A., Jericho, New York ("Chase USA-New York"), rated "satisfactory" as of September 5, 1996. Following these examinations, Chase USA-New York merged with and into Chase USA-Delaware in December 1996.

Bank, New Jersey, N.A., Morristown, New Jersey.[10] In the Chemical/Chase Order, the Board considered a number of aspects of the CRA performance of both institutions, including their lending, marketing, and outreach activities, the services provided through branches, branch closing policies, and initiatives to increase lending in low- to moderate-income ("LMI") areas.[11] Furthermore, in the Chase Bank/CBNJ Order, the Board carefully reviewed Chase Bank's record of closing branches after the merger of Old Chemical and Old Chase, the policies and procedures of Chase Bank and its predecessor institutions for assuring compliance with the fair lending laws, and the community development activities of Chase Bank and its predecessors. For the reasons set forth in detail in the Chemical/Chase Order and the Chase Bank/CBNJ order, and incorporated herein by reference, the Board concluded that the CRA performance records of Chase's subsidiary banks and their predecessor institutions were consistent with approval under the convenience and needs factor.

The Board also has considered supervisory information concerning Chase Bank's record of CRA performance which includes information assessing the following aspects of the bank's CRA performance:

(1) Lending record and geographic distribution of loans throughout the bank's communities, including LMI areas;

(2) Efforts designed to assist in meeting the credit needs of the bank's communities, including affordable mortgage, government-sponsored and small business lending programs;

(3) Community development activities;

(4) Compliance record with fair lending laws, and fair lending law policies and programs; and

(5) Branch closing policies and procedures, and record of closing branches since the merger of Old Chemical and Old Chase.[12]

Comments on Proposal. The Board also has taken into account comments objecting to Chase Bank's decision to close 18 branches in New York and Connecticut. The Board notes that these comments relate to Chase's branch closings generally, and that Chase has not proposed to close any branches as a result of this proposal.[13] Federal banking law, moreover, addresses branch closings by specifically requiring an insured depository institution to provide notice to the appropriate regulatory agency prior to closing a branch,[14] but does not authorize the federal regulators to prevent the closing of any branch. Furthermore, the BHC Act does not make approval of a proposal contingent on an applicant's commitment to keep open all branch offices of an acquired institution. The availability of banking services and offices after an acquisition must be reviewed in the context of the effect of the acquisition on the convenience and needs of communities served by the institution and is only one of several factors the Board must consider in assessing the effect of the acquisition on the convenience and needs of the communities to be served.[15]

Four of the 18 branches identified by the commenter are in LMI census tracts. The Board notes that each of these branches is a middle market business office that does not provide retail banking services. The other 14 branches identified by the commenter are in non-LMI areas.[16] The Board notes that Chase Bank would continue to operate approximately 428 consumer branches in New York, including 97 consumer branches in LMI census tracts in New York, and approximately 46 consumer branches in Connecticut, including 12 consumer branches in LMI census tracts in Connecticut.[17] In addition, the Board previously has noted that the branch closing policies of the predecessor institutions to Chase Bank required consideration of a number of factors prior to closing a branch, including current market conditions, market potential, consumer satisfaction and product usage, demographics, and community needs. The most recent CRA examinations of the two predecessor banks also concluded that their branch closing policies were satisfactory and that their records of

10. *See The Chase Manhattan Bank*, 82 *Federal Reserve Bulletin* 1139 (1996) ("Chase Bank/CBNJ Order").

11. The Chemical/Chase Order also specifically discussed the CRA performance records of Chase-Florida and Chemical FSB, as well as the subsidiary banks of Old Chase and Old Chemical operating in New York, New Jersey, Connecticut, Texas and Delaware.

12. This supervisory information includes information developed by the Reserve Bank during its regularly scheduled examination of Chase Bank's record of CRA performance, which commenced in March 1997. The Reserve Bank's report of this examination is not publicly available at this time.

13. Chase Trust would continue to operate the Los Angeles branch of Chase-Florida.

14. Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closing (58 *Federal Register* 49,083 (1993)), requires that a bank provide the public with at least 30 days notice and the primary federal supervisor with at least 90 days notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closing.

15. Two commenters also maintain that Chase Trust will not assist in meeting the credit needs of its local community. As discussed in this order, the Board has considered these comments in light of Chase's overall record of CRA performance.

16. One commenter contends that Chase improperly failed to disclose the 18 branch closings in connection with the Chemical/Chase merger. In connection with that merger, Chase announced that it would close seven branches in LMI census tracts in New York City and provided the Board a preliminary list of branches in non-LMI areas that it expected to close. Chase previously has stated that its announcement regarding proposed branch closings in LMI census tracts did not include middle market business offices or other specialized facilities, such as private banking and private access corporate locations. As noted above, the four branches in LMI areas identified by commenter are middle market business offices. The remaining 14 branches identified by commenter are in non-LMI census tracts and, as noted in the Chemical/Chase Order, Chase's list of proposed branch closings in non-LMI census tracts was preliminary and subject to change.

17. These data reflect all notices of proposed branch closings received by the Federal Reserve System through August 18, 1997. Consumer branches do not include limited access specialized facilities, such as private banking, middle market business offices, and private access corporate locations.

opening and closing branches had not negatively affected their communities, including LMI communities. Finally, the Board has reviewed supervisory information that assesses Chase Bank's current branch closing policies and the effect of the bank's branch openings and closings on all the bank's communities, including LMI communities.[18]

Comments also contend, primarily on the basis of 1996 data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") by Chase and its subsidiaries, that Chase's lending in LMI neighborhoods and to minority individuals in a variety of geographical areas is inadequate and violates the fair lending laws.[19] The Board has reviewed 1995 and 1996 HMDA data reported by Chase in light of the comments received on the proposal.[20] These data show that Chase's ratio of denials of African-American and Hispanic credit applicants to white credit applicants declined from 1995 to 1996 in each market reviewed by the Board. These data, however, also reflect some disparities in the rate of loan originations, denials, and applications by racial group or income level in certain markets.

The Board is concerned when the record of an institution indicates such disparities in lending, and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. Moreover, HMDA data provide only limited information about the covered loans.[21] HMDA data, therefore, have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination.

In light of the limitations of HMDA data, the Board has carefully reviewed other information, particularly examination reports and other supervisory information that provide an on-site evaluation of compliance with the fair lending laws by Chase. The most recent CRA examinations of the two banks that were merged to form Chase Bank found that neither bank engaged in practices that would discourage individuals from applying for credit. In addition, fair lending reviews were conducted during such CRA examinations, and examiners found no evidence of discrimination or other illegal credit practices. Furthermore, no evidence of discrimination or other illegal credit practices was found during the most recent CRA examinations of Chase's other subsidiary banks, including those that have been examined for CRA performance since the merger of Old Chemical and Old Chase.[22] The Board also has reviewed supervisory information assessing Chase Bank's record of fair lending law compliance, current fair lending law policies and programs, and initiatives to help meet the credit needs of all its communities, including LMI areas.

The Board also carefully reviewed the fair lending policies and procedures of the two predecessor institutions to Chase Bank, as well as their affiliated banks in New Jersey, Delaware, Florida and Texas, in the Chemical/Chase and Chase Bank/CBNJ Orders. The Board noted that the banks that were merged to form Chase Bank maintained training, second review and other programs that were designed to ensure that the banks operate in compliance with the fair lending laws.[23]

Conclusion on Convenience and Needs Considerations. The Board has carefully considered all the facts of record, including the public comments received, Chase's response to those comments, and the CRA performance records of Chase's subsidiary banks, including relevant reports of examination and other supervisory information.[24] Based on a review of the entire record, and for the reasons discussed

18. One commenter contends that the preliminary branch closing information that Chase submitted in connection with the Chemical/Chase merger misled the Board because it did not categorize proposed branch closings in middle-income areas that are adjacent to LMI census tracts as closings in LMI census tracts. The branch closing information submitted by Chase was presented based on the census tract location of the branch proposed to be closed. No additional categorization was required. Moreover, Chase continues to operate a number of branches in LMI census tracts, as discussed in this order.

19. One commenter objects to Chase Trust's pending request to be designated as a wholesale bank under the CRA regulations jointly promulgated by the federal financial supervisory agencies. *See* 60 *Federal Register* 22,156 (1995). The OCC, Chase Trust's primary federal supervisor, is responsible for acting on the requested designation, and such actions are not reviewable by the Board. *See* 12 C.F.R. 25.25(b).

20. The Board's review includes 1995 and 1996 HMDA data reported by all Chase subsidiaries for the New York City Metropolitan Statistical Area ("MSA") and several other MSAs in Chase Bank's assessment area, the Los Angeles MSA, and the MSAs in the service areas of Chase's subsidiary banks in Texas and Florida.

21. These data, for example, do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. Credit history problems and excessive debt levels relative to income—reasons most frequently cited by a credit denial—are not available from HMDA data.

22. One commenter contends that the proposal will result in foreclosures that will adversely affect the local community. This commenter also contends generally that banking institutions, including Chase, use improper practices when foreclosing on properties. The commenter does not provide, and the record does not otherwise contain, facts to support these contentions.

23. One commenter reiterates the contention that Chase violates the fair lending laws and HMDA through its activities involving the New York City Housing Partnership ("NYCHP"). The Board previously addressed this issue in the Chase Bank/CBNJ Order, which noted that, following discussions with the Reserve Bank, the NYCHP agreed to provide adverse action letters to applicants that are not eligible for NYCHP-sponsored programs.

24. The Board notes that the Equal Employment Opportunity Commission recently filed suit against Chase alleging that certain restrictions contained in the long-term disability plan offered to Chase employees violate the Americans with Disabilities Act (42 U.S.C. § 12101 *et seq.*). Private litigants also have filed an employment discrimination lawsuit in Delaware against one of Chase's subsidiary banks. Both of these lawsuits are pending adjudication, and no finding of wrongdoing on the part of Chase has been made. The Board previously has stated that its limited jurisdiction to review applications under the BHC Act does not authorize the Board to adjudicate disputes involving an applicant that arise under statutes administered and enforced by another agency in areas such as employment discrimination. The Board also retains sufficient supervisory authority to take

in this order, the Board has concluded that convenience and needs considerations, including the CRA records of performance of Chase's subsidiary banks, are consistent with approval of the proposal.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.[25] The Board's approval is expressly conditioned on compliance by Chase with the commitments made in connection with the application. The commitments relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

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

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

WILLIAM W. WILES
Secretary of the Board

appropriate action if a lawsuit or an examination determines that Chase is not in compliance with applicable laws and regulations.

25. One commenter has requested that the Board hold a public hearing or meeting on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation from the OCC, Chase Trust's primary federal supervisor.

Under its rules, the Board also may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the proposal and to provide an opportunity for testimony, if appropriate. 12 C.F.R 225.16(e). The Board has carefully considered commenter's request for a hearing or meeting in light of all the facts of record. In the Board's view, commenter has had ample opportunity to submit views and has, in fact, provided written submissions that have been considered by the Board in acting on the proposal. The request fails to demonstrate why these written submissions do not adequately present commenter's evidence, allegations and views. After a careful review of all the facts of record, the Board has concluded that the commenter disputes the weight that should be accorded to, and the conclusions that the Board should draw from, the facts of record and does not identify disputed issues of fact that are material to the Board's decision. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted to clarify the factual record in the proposal, or otherwise warranted in this case. Accordingly, the request for a public hearing or meeting on the proposal is hereby denied.

New Prague Bancshares, Inc.
New Prague, Minnesota

Order Approving the Formation of a Bank Holding Company

New Prague Bancshares, Inc., New Prague, Minnesota ("Bancshares"), has requested the Board's approval under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("BHC Act") to become a bank holding company by acquiring all the voting shares of Community Security Bank ("Bank"), a *de novo* state chartered bank also in New Prague.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 31,821 (1997)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Bancshares is a newly formed nonoperating corporation that would acquire Bank, which is a *de novo* bank. The addition of a new bank in the relevant banking market would increase the number of alternative sources of banking products and services available to customers in the market and increase competition. The Board previously has stated that the promotion of competition through *de novo* entry is a positive consideration in an application under section 3 of the BHC Act.[1] Accordingly, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market.

The Board has carefully considered the financial and managerial resources and future prospects of Bancshares and Bank in light of all the facts of record. The Board received comments from a national bank that has a branch in New Prague ("Commenter") that contend that the demographic and economic characteristics of Bank's proposed trade area show insufficient demand to support another bank and that the projections by Bancshares for the Bank's deposits and income are exaggerated. Bancshares maintains that the ability of its organizers to raise approximately $2.8 million in capital from local area residents and businessmen and the fact that Bank has been formed and would be owned by local residents demonstrate a demand for the bank's services. Bancshares supports its projections with a business plan. Bancshares also notes that Bank would be located in a developing downtown area of New Prague and would be managed by an experienced chief executive officer and a board of directors composed of local residents.

The Board also has considered the characteristics of the relevant market. The record shows that the population in Bank's proposed trade area has increased from 1990 to

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

1995.[2] The Board also has reviewed the growth and success of other *de novo* banks in or near the Twin Cities MSA that were started within the last five years. Based on this review, the Board concludes that the projections offered by Bank are reasonable.

In reviewing the financial and managerial factors, the Board also has considered Bank's capital level in relation to its projections. Bank appears to have sufficient capital to operate for a significant time at levels below the projections provided for Bank's *pro forma* operation. In addition, Bancshares does not intend to incur significant amounts of debt and appears to have the financial flexibility to act as a source of strength for Bank. The Board also notes that the Minnesota Commissioner of Commerce, after a review of the application, including the financial aspects of the proposal, granted Bank's state charter request on July 14, 1997.

For these reasons and based on all the facts of record, the Board concludes that the record does not indicate that the proposal would adversely affect the safety and soundness of Bancshares or Bank.

On this basis, the Board concludes that the financial factor and future prospects of Bancshares and Bank are consistent with approval.[3] In evaluating the managerial resources, the Board has considered the experience of several of the organizers and reports of examination assessing their performance in other depository institutions. Based on all the facts of record, the Board concludes that the managerial resources,[4] and the convenience and needs, and other supervisory factors the Board is required to consider under section 3 of the BHC Act also are consistent with approval of the proposal.[5]

2. New Prague is a community on the southwestern edge of the Minneapolis-St. Paul Metropolitan Statistical Area ("Twin Cities MSA"). Bank's proposed trade area would encompass the area within approximately a seven-mile radius of New Prague.

3. Commenter argues that Bancshares's obligation under its shareholder agreement to redeem its stock adversely affects the bank holding company's permanent capital. Bancshares modified this provision so that Bancshares is not obligated to purchase any offered shares for which it has a right of first refusal. Under these circumstances, the bank holding company's stock is considered permanent capital and would be considered Tier 1 capital.

4. Commenter argues that allegations raised in pending litigation between Commenter and some of the organizers and directors of Bank and the fact that the lawsuit was not disclosed in the biographical information provided in the application reflect adversely on the managerial factor in this case. Commenter filed the lawsuit after these individuals left their employment with Commenter to form Bancshares and Bank. The litigation is in its preliminary stages, and no findings of wrongdoing on the part of the Bank's organizers and directors have been found. The Board previously has determined that its limited jurisdiction to review applications and notices under the specific factors in the BHC Act does not authorize the Board to adjudicate disputes between a commenter and an applicant that arise under state laws relating to corporate governance that may be enforced by the courts. The Board also notes that a copy of the lawsuit was included in the application.

5. Commenter maintains that certain contractual agreements in the proposal raise supervisory issues. Commenter argues, for example, that Bank's stock plan for its chief executive officer is a noncompete agreement that should have been disclosed in the application. The stock plan rewards the officer with additional compensation based on the performance of the bank but terminates payments if the officer directly or indirectly solicits business in competition with Bank. The stock option plan does not restrict the officer's ability to be employed by a competitor, but only terminates future bonus payments if he solicits business away from Bank. Commenter also contends that because shareholders have a right to transfer Bancshares stock to a trust, such trust may be deemed to be a "company" under the BHC Act. Shareholders proposing such transfers are responsible for complying with all applicable laws, and the Board has sufficient supervisory authority to address the transfer of shares to a trust that does not qualify for an exemption under the BHC Act.

Based on the foregoing and all the facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval is expressly conditioned on compliance with all the commitments made by New Prague, including those made by the principals of New Prague, in connection with the application. For purposes 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 before the fifteenth calendar day following the effective date of this order, or later than three months following the effective date of this order, and Bank shall be open for business within six months following the effective date of this order, unless such periods are 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 15, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Associated Banc-Corp
Green Bay, Wisconsin

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

Associated Banc-Corp, Green Bay ("Associated"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire First Financial Corporation ("FFC"),[1] and its wholly owned subsidiary, First Financial Bank, F.S.B. ("Thrift"), both in Stevens Point,

1. Associated proposes to charter a wholly owned subsidiary, Badger

and all in Wisconsin, and engage in operating a savings association pursuant to section 225.28(b)(4) of Regulation Y (12 C.F.R. 225.28 (b)(4)). Associated also has requested the Board's approval under section 4(c)(8) of the BHC Act to acquire two wholly owned subsidiaries of Thrift and engage in performing appraisals of real estate and tangible personal property pursuant to section 225.28(b)(2)(i) of Regulation Y (12 C.F.R. 225.28 (b)(2)), and operating a credit card bank pursuant to section 225.28(b)(1) and (2) of Regulation Y (12 C.F.R. 225.28(b)(1) and (2)).[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 39,243 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 4 of the BHC Act.

Associated, with total consolidated assets of approximately $4.5 billion operates 12 subsidiary banks in Wisconsin and Illinois. Associated is the fourth largest depository institution in Wisconsin, controlling deposits of $3.1 billion, representing approximately 4.9 percent of total deposits in depository institutions in Wisconsin.[3] FFC is the fifth largest depository institution in Wisconsin, controlling deposits of $2.4 billion in Wisconsin. On consummation of the proposal, Associated would become the third largest depository institution in Wisconsin, controlling total deposits of $5.5 billion, representing approximately 8.8 percent of the total deposits in depository institutions in Wisconsin.

As noted, the Board previously has determined by regulation that operating a savings association, providing real estate and tangible personal property appraisals, and operating a credit card bank are closely related to banking for purposes of section 4(c)(8) of the BHC Act. The Board requires savings associations acquired by bank holding companies to conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act and Regulation Y.[4] Associated has committed to conform all activities of Thrift with those requirements and to conduct all the proposed activities in accordance with Regulation Y.

Competitive Considerations

In order to approve the proposal, the Board also must determine that the performance of the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[5] As part of the Board's evaluation of these factors, the Board has carefully considered the competitive effects of the proposed transaction in light of all the facts of record.

Associated and FFC compete directly in 12 banking markets in Wisconsin. The Board has carefully reviewed the competitive effects of the proposal in these banking markets in light of all the facts of record, including the number of competitors that would remain in the markets, the characteristics of the markets, the projected increase in the concentration of total deposits in depository institutions in the markets ("market deposits"),[6] as measured by the Herfindahl–Hirschman Index ("HHI"), under the Department of Justice Merger Guidelines ("DOJ Guidelines").[7] Consummation of the proposal would not exceed the DOJ Guidelines in 11 of the 12 banking markets in which Associated and FFC compete and a number of competitors would remain in the markets.[8] In the remaining banking market of Manitowoc-Two Rivers ("Manitowoc-Two Riv-

Merger Corporation, Green Bay, Wisconsin, that would merge with and into FFC with FFC as the surviving corporation.

2. The subsidiaries are:

(1) Appraisal Services, Inc., Milwaukee (real estate and personal property appraisals); and

(2) First Financial Card Services Bank, N.A., Stevens Point (credit card bank), both in Wisconsin.

3. State and market data are as of June 30, 1996. In this context, the term depository institutions includes commercial banks, savings banks, and savings associations.

4. Associated has committed that all impermissible real estate activities will be divested or terminated within two years of consummation of the proposal, that no new impermissible projects or investments will be undertaken during this period, and that capital adequacy guidelines will be met, excluding impermissible real estate investments. Associated also has committed that all impermissible insurance activities conducted by FFC or its subsidiaries will cease within six months of consummation of the proposal, and Associated has indicated that the activities will be divested to an unaffiliated third party or transferred to an affiliated bank subsidiary that is authorized under relevant state law to engage in the activities.

5. 12 U.S.C. § 1843(c)(8).

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 Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). Because the deposits of Thrift would be acquired by a commercial banking organization under the proposal, those deposits are included at 100 percent in the calculation of Associated's *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992). *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n.9 (1990).

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

8. The banking markets are discussed in the Appendix.

ers banking market"),[9] consummation of the proposal would increase the HHI by 305 points to 2144, and Associated would control 33 percent of the market deposits.

In considering the competitive effects of the proposal, the Board also has considered that, after consummation of the proposal, 12 depository institutions would remain in the Manitowoc-Two Rivers banking market. Two competitors, not including Associated, would each have market shares of approximately 22 percent. The banking market also has characteristics that make it attractive for entry for out-of-market firms. For example, the number of residents per banking office, the average amount of deposits per banking office, and the per capita income in the Manitowoc-Two Rivers banking market substantially exceed the state average for these statistics in non-MSA markets in Wisconsin. Two banking organizations have entered the banking market *de novo* since August 1994. Wisconsin law, moreover, authorizes banks to branch statewide.[10]

Based on these and all of the other facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in the Manitowoc-Two Rivers banking market or in any other relevant banking market.

Other Considerations

As part of its evaluation of the public interest factors, the Board has carefully considered, in light of all the facts of record, the financial and managerial resources of Associated, FFC, and their subsidiaries, and the effect the transaction would have on such resources. The information considered includes supervisory reports of examination assessing the financial and managerial resources of the organizations and recent *pro forma* financial information provided by Associated. The Board notes that Associated and FFC, and each of their insured depository institutions, meet or exceed the "well capitalized" thresholds under applicable law, and FFC would continue to do so after consummation of the proposal. Based on all the facts of record, the Board has concluded that the financial and managerial resources of the organizations involved in the proposal are consistent with approval.

The record also indicates that the proposal would result in public benefits. Consummation of the proposal would result in a broader financial network through which Associated could serve its customers and the customers of Thrift. Associated also would offer new financial services to customers of Thrift, including assistance in managing funds in IRA and Keogh accounts, specialized lending services to corporate customers, and comprehensive trust administration and investment management services. Associated's customers also would have access to a variety of mortgage, consumer loan, and credit card services offered by FFC. Based on all the facts of record, the Board has determined that the proposal by Associated 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, 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.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is approved. The Board's approval of the notice is specifically conditioned on compliance by Associated and FFC with commitments made in connection with this notice. The Board's determination also is subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)) and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective September 8, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Banking markets where the depository institution subsidiaries of Associated and FFC compete, all in Wisconsin unless indicated otherwise:

(1) Rhinelander—approximated by Vilas and Oneida Counties; Forest County, excluding Alvin and Popple River Townships; and the northern two-fifths of Lincoln County. After consummation of the proposal, Associated would control 18.3 percent of the market deposits and would become the second largest depository institution in the market. The HHI would increase 63 points to 1977.

9. The Manitowoc-Two Rivers banking market is approximated by Manitowoc County, except for Schleswig, Eaton, and Cooperstown townships, all in Wisconsin.

10. *See* Wis. Stat. Ann. § 221.032(1) (1995).

(2) Sheboygan—approximated by Sheboygan County, excluding Russell and Rhine Townships. After consummation of the proposal, Associated would control 6.3 percent of the market deposits and would become the fifth largest depository institution in the market. The HHI would not increase.
(3) Oshkosh—approximated by Winnebago County, except for Winchester, Clayton, Menasha, and Neenah townships. After consummation of the proposal, Associated would control 17 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 50 points to 1829.
(4) Green Bay—approximated by Brown County; Morgan, Abrams, Pensaukee, Chase, and Little Suamico townships in Oconto County; Angelica and Maple Grove townships in Shawano County; Oneida township in Outagamie County; Cooperstown township in Manitowoc County, Wisconsin; and Red River, Luxemburg, and Montpelier townships in Kewaunee County. After consummation of the proposal, Associated would control 29.6 percent of the market deposits and would remain the largest depository institution in the market. The HHI would increase 94 points to 1685.
(5) Hurley-Ironwood—approximated by Iron County, and Gogebic and Ontonagon Counties in Michigan. After consummation of the proposal, Associated would control 15.5 percent of the market deposits and would remain the third largest depository institution in the market. The HHI would increase 37 points to 1563.
(6) Wausau—approximated by the southern three-fifths of Lincoln County; Marathon County, excluding, Holton, Hull, Brighton, Spencer, McMillan, and Day townships. After consummation of the proposal, Associated would control 9.8 percent of the market deposits and would become the third largest depository institution in the market. The HHI would not increase.
(7) Beloit-Janesville—approximated by Rock County. After consummation of the proposal, Associated would control 3.5 percent of the market deposits and would become the eighth largest depository institution in the market. The HHI would not increase.
(8) Milwaukee—approximated by Milwaukee, Waukesha, and Ozaukee Counties, and portions of Jefferson, Racine, Walworth, and Washington Counties. After consummation of the proposal, Associated would control 8.8 percent of the market deposits and would become the fourth largest depository institution in the market. The HHI would not increase.
(9) Wood—approximated by Wood County, and Spencer, McMillan, and Day townships in Marathon County. After consummation of the proposal, Associated would control 21.3 percent of the market deposits and would become the largest depository institution in the market. The HHI would increase 158 points to 1375.
(10) Watertown—approximated by the southern two tiers of townships in Dodge County,and the northern two tiers of townships in Jefferson County, excluding Ixonia township. After consummation of the proposal, Associated would control 21.9 percent of the market deposits and would become the second largest depository institution in the market. The HHI would increase 171 points to 1481.
(11) Appleton—approximated by Outagamie County, excluding Oneida township; Winchester, Claton, Neenah, and Menasha townships in Winnebago County; and Harrison, Woodville, Brillion, and Rantoul townships in Calumet County. After consummation of the proposal, Associated would control 15.6 percent of the market deposits and would remain the third largest depository institution in the market. The HHI would increase 29 points to 1236.

BankAmerica Corporation
San Francisco, California

Order Approving Notice to Engage in Nonbanking Activities

BankAmerica Corporation, San Francisco, California ("BankAmerica"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire Robertson, Stephens & Company Group, L.L.C., ("Robertson Group"), Robertson, Stephens & Company, Inc., ("Robertson Stephens Co."), and all of their subsidiaries and affiliates (collectively, "Robertson"), all of San Francisco, California.[1] BankAmerica would thereby engage in the following nonbanking activities:

(1) Providing financial and investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28 (b)(6));
(2) Providing securities brokerage, private placement, and riskless principal services, pursuant to section 225.28(b)(7)(i), (ii), and (iii) of Regulation Y (12 C.F.R. 225.28(b)(7)(i), (ii), and (iii));
(3) Underwriting and dealing in obligations of the United States, general obligations of states and their political subdivisions, and other obligations that state member banks of the Federal Reserve System may be authorized to underwrite and deal in under 12 U.S.C. §§ 24 and 335, pursuant to section 225.28(b)(8) of Regulation Y (12 C.F.R. 225.28(b)(8));
(4) Underwriting and dealing, to a limited extent, in all types of debt and equity securities, other than ownership interests in open-end investment companies ("mutual funds");

1. Robertson Group owns 99 percent of Robertson, Stephens & Company, L.L.C ("Robertson Sub"). Robertson Stephens Co. owns the remaining 1 percent membership interest in Robertson Sub and is the managing member.

BankAmerica proposes to merge Robertson into Ladder Merger Corporation, a newly formed Delaware corporation, wholly owned by BankAmerica ("BAC Sub"). Simultaneously, BankAmerica would merge the principal subsidiary of Robertson Sub with and into BankAmerica Securities, Inc., San Francisco, California, ("BASI"), a subsidiary of BankAmerica.

(5) Providing administrative and other services to investment companies, including mutual funds;[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 45,255 (1997)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

BankAmerica, with total consolidated assets of $258 billion, is the third largest commercial banking organization in the United States.[3] BankAmerica operates five subsidiary banks in 13 states and engages, directly and through its subsidiaries, in a broad range of permissible nonbanking activities in the United States and throughout the world. Robertson, with combined consolidated assets of $455 million, engages worldwide in a broad range of investment advisory, securities brokerage, securities underwriting, and related activities.[4]

BankAmerica engages through BASI in a wide range of securities activities, including engaging, to a limited extent, in underwriting and dealing in all types of debt and equity securities (other than securities issued by open-end investment companies) in which a state member bank may not underwrite or deal ("bank-ineligible securities").[5] BASI is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and a member of the National Association of Securities Dealers ("NASD"). Accordingly, BASI is, and would remain, subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD.

Activities Previously Approved by the Board

The Board previously has determined by regulation or order that the proposed activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act and the Board previously has authorized BankAmerica to engage in most of these activities.[6] BankAmerica would conduct the activities in accordance with the *BankAmerica Order*, Regulation Y, and the relevant Board interpretations and orders pertaining to each of the activities.[7]

Bank-Ineligible Securities Underwriting and Dealing Activities. As noted above, BASI currently is engaged in limited underwriting and dealing activities that the Board previously has determined are permissible under section 20 of the Glass–Steagall Act (12 U.S.C. § 377).[8] Robertson Sub also is engaged in underwriting and dealing in securities. The Board has concluded that conduct of securities underwriting and dealing is consistent with section 20, provided that the company derives no more than 25 percent of its total gross revenue from underwriting and dealing in securities over any two-year period.[9] BankAmerica has committed that, following acquisition of Robertson, BASI will continue to conduct its bank-ineligible securities underwriting and dealing subject to the 25-percent revenue limitation and the prudential limitations previously established by the Board with respect to bank-ineligible securities underwriting and dealing.[10]

Other Considerations

In order to approve this notice, the Board must determine that the proposed activities are a proper incident to bank-

2. A list of the administrative services that BankAmerica would provide is included in the Appendix.

3. Asset and ranking data are as of June 30, 1997.

4. Robertson currently controls several private investment funds. BankAmerica has committed to conform, within two years of acquiring Robertson, all activities and investments of Robertson and its subsidiaries, including its involvement with various investment funds, to those permissible for bank holding companies under section 4 of the BHC Act and Regulation Y. BankAmerica also has committed that, upon the acquisition of Robertson by BankAmerica, Robertson Sub will cease acting as a distributor of mutual funds.

After the merger, BAC Sub would acquire from Robertson Sub two subsidiaries engaged in offshore broker-dealer activities. The activities of these two subsidiaries are within BankAmerica's existing authority and are permissible under Regulation K. The subsidiaries may be acquired under the general consent authority in Regulation K. *See* 12 C.F.R. 211.5(c)(1), (d).

5. *See BankAmerica*, 80 *Federal Reserve Bulletin* 1104 (1994) ("*BankAmerica Order*").

6. *See BankAmerica*, 79 *Federal Reserve Bulletin* 1163 (1993); and *BankAmerica Order.*

7. BankAmerica would engage in the proposed mutual fund advisory and administrative activities in a manner consistent with previous orders. *See Commerzbank AG*, 83 *Federal Reserve Bulletin* 678 (1997) ("*Commerzbank*"); and *Bankers Trust New York Corporation*, 83 *Federal Reserve Bulletin* 780 (1997) ("*Bankers Trust*"). An independent distributor would distribute shares of the mutual funds that BankAmerica advises and administers. *See Bankers Trust*, p. 782 n. 13.

8. *See BankAmerica Order.*

9. *See J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 486 U.S. 1059 (1988); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996) (collectively, "Section 20 Orders"). *See also Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996). Compliance with the 25-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); and *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing Securities*, 61 *Federal Register* 57,679 (1996) (collectively, "Modification Orders").

10. *See* Section 20 Orders and Modification Orders. BASI may provide services that are necessary incidents to the proposed underwriting and dealing activities. Unless BASI receives specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently, any revenues from the incidental activities must be treated as ineligible revenues subject to the Board's revenue limitation.

ing, that is, that the performance of the activities "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."[11]

As part of its review of these factors, the Board considered the financial and managerial resources of BankAmerica and its subsidiaries and the effect the transaction would have on such resources.[12] The Board also has reviewed the capitalization of BankAmerica and BASI in accordance with the standards set forth in the Section 20 Orders and finds the capitalization of each to be consistent with approval.[13] The determination about the capitalization of BASI is based on all the facts of record, including BankAmerica's projections of the volume of BASI's underwriting and dealing activities in bank-ineligible securities.

Effective October 27, 1997, the Board substantially revised the prudential limitations with respect to bank-ineligible securities underwriting and dealing.[14] BankAmerica has committed that BASI will conduct its bank-ineligible underwriting and dealing activities subject to the Board's new operating standards on October 27, 1997.

On the basis of its supervisory experience with BankAmerica and BASI, the commitments provided in this case, and the proposed management of BASI, the Board also has determined that BankAmerica and BASI have established policies and procedures to ensure compliance with this order and the Section 20 Orders, including computer, audit, and accounting systems, internal risk management controls, and the necessary operational and managerial infrastructure. The Board also has reviewed other aspects of the managerial resources of the entities involved in this proposal, including the expected effect of this proposal on such resources. On the basis of the foregoing and all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of this proposal.

The Board expects that the proposed acquisition would provide added convenience to customers of BankAmerica and Robertson, including Robertson's current mutual fund clients. The Board previously has determined that the provision of advisory and administrative services to mutual funds within certain parameters is not likely to result in the types of subtle hazards at which the Glass–Steagall Act is aimed or in any other adverse effects. As required by the Board's regulations, for example, BankAmerica would provide to its customers disclosures designed to alert them to the relationships between BankAmerica and the Funds. These disclosures include those required by the Board's interpretive rule on investment advisory activities to address conflicts of interests that may be presented by the relationship between BankAmerica and the Funds.[15] BankAmerica also has indicated that the proposed transaction would result in operational efficiencies that would allow it to become a more effective competitor and thereby provide improved services at a lower cost to its customers.

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

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

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

Conclusion

On the basis of all the facts of record, including all the commitments and representations made by BankAmerica, the Board has determined to, and hereby does, approve this notice subject to all the terms and conditions discussed in this order and in 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 activities of BankAmerica and BASI are consistent with safety and soundness, avoiding 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, as modified by the Modification Orders, is not authorized for BASI.

The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in

11. 12 U.S.C. § 1843(c)(8).

12. *See* 12 C.F.R. 225.26.

13. The Board notes that, as a registered broker-dealer, BASI must comply with the SEC's net capital rule. *See* 15 C.F.R. 240.15c3–1.

14. *See Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997).

15. *See* 12 C.F.R. 225.125. The interpretive rule requires a bank holding company that recommends to customers shares of a mutual fund that the bank holding company advises to caution customers to read the fund prospectus before investing and to advise customers in writing that the fund's shares are not insured by the Federal Deposit Insurance Corporation, and are not deposits, obligations of, or endorsed or guaranteed in any way, by any bank, unless that happens to be the case. The holding company also must disclose in writing to the customer the role of the company or its affiliate as investment advisor to the fund.

sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), 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 BankAmerica's compliance with all the commitments made in connection with this notice, including the commitments discussed in this order and the conditions set forth in the Board regulations and orders noted above. The commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and 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 San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 17, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

List of Administrative Services

1. Maintaining and preserving the records of the Funds, including financial and corporate records.
2. Computing net asset value, dividends, performance data and financial information regarding the Funds.
3. Furnishing statistical and research data.
4. Preparing and filing with the SEC and state securities regulators registration statements, notices, reports, and other materials required to be filed under applicable laws.
5. Preparing reports and other informational materials regarding the Funds, including proxies and other shareholder communications.
6. Providing legal and other regulatory advice to the Funds in connection with their other administrative functions.
7. Providing office facilities and clerical support for the Funds.
8. Developing and implementing procedures for monitoring compliance with regulatory requirements and compliance with the Funds' investment objectives, policies and restrictions as established by the board of directors/trustees of the Funds.
9. Providing routine fund accounting services and liaison with outside auditors.
10. Preparing and filing tax returns, and monitoring tax compliance.
11. Reviewing and arranging for payment of expenses of the Funds.
12. Providing communication and coordination services with regard to the Funds' investment advisor, transfer agent, custodian, distributor and other service organizations that render recordkeeping or shareholder communication services.
13. Reviewing and providing advice to the distributor, the fund and the investment advisor regarding sales literature and marketing plans for the Funds.
14. Providing information to the distributor's personnel concerning performance and administration of the Funds.
15. Providing marketing support with respect to sales of the Funds through financial intermediaries, including participating in seminars, meetings and conferences designed to present information concerning the operations of the Funds.
16. Providing reports to the directors of the Funds with regard to the activities of the Funds.
17. Providing telephone shareholder services through a toll-free 800 number.

Barnett Banks, Inc.
Jacksonville, Florida

Order Approving Notice to Acquire a Savings Association

Barnett Banks, Inc., Jacksonville ("Barnett"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire First of America Bank-Florida, FSB, Tampa, both in Florida ("Thrift"), and thereby engage in operating a savings association pursuant to section 225.28(b)(4) of Regulation Y (12 C.F.R. 225.28 (b)(4)).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 39,243 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 4 of the BHC Act.

Barnett, with total consolidated assets of approximately \$42 billion, operates four subsidiary banks in Florida and Georgia. Barnett is the largest depository institution in Florida, controlling deposits of \$34.2 billion, representing approximately 19.2 percent of total deposits in depository institutions in the state.[1] Thrift is the 23d largest depository institution in Florida, controlling deposits of \$953.7 million, representing less than 1 percent of total deposits in the state. On consummation of the proposal, Barnett would

1. Asset data are as of March 31, 1997, and state deposit data are as of June 30, 1996. These data have been updated to account for structural changes as of July 25,1997. In this context, the term depository institutions includes commercial banks, savings banks, and savings associations.

remain the largest depository institution in Florida, controlling total deposits of $35.2 billion, representing approximately 19.7 percent of the total deposits in depository institutions in Florida.

The Board previously has determined by regulation that operating a savings association is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[2] The Board requires savings associations that are acquired by bank holding companies to conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act and Regulation Y. Barnett has committed to conform all of Thrift's activities of Thrift to those requirements.[3]

Competitive Considerations

In order to approve the proposal, the Board also must determine that the performance of the proposed activities is a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[4] As part of the Board's evaluation of these factors, the Board has carefully considered the competitive effects of the proposed transaction in light of all the facts of record.

Barnett and Thrift compete directly in nine banking markets in Florida. The Board has carefully reviewed the competitive effects of the proposal in these banking markets[5] in light of all the facts of record, including the number of competitors that would remain in the markets, the characteristics of the markets, and the projected increase in the concentration of total deposits in depository institutions in the markets ("market deposits"),[6] as measured by the Herfindahl–Hirschman Index ("HHI"), under the Department of Justice Merger Guidelines ("DOJ Guidelines").[7]

In the Punta Gorda banking market, consummation of the proposal would exceed the DOJ Guidelines.[8] The HHI would increase by 653 points to 2143 points, and Barnett would become the largest depository institution in the market, controlling approximately 36 percent of market deposits.

In evaluating the competitive effects of the proposal in the Punta Gorda banking market, the Board has considered that, after consummation of the proposal, 12 depository institutions would remain in the market. Three of the competitors, other than Barnett, are large multi-state commercial banking organizations that would each control more than 10 percent of market deposits. The Punta Gorda banking market also has characteristics that make it attractive for entry for out-of-market firms. The rates of increase in population for the Punta Gorda Metropolitan Statistical Area ("MSA") and in deposits in depository institutions for the Punta Gorda banking market have exceeded the averages for these statistics for Florida MSAs and for the state of Florida. Since 1991, three commercial banks have entered the Punta Gorda banking market *de novo*, and four depository institutions have entered through acquisitions.[9]

In the De Soto County banking market, consummation of the proposal would exceed the DOJ Guidelines, and the HHI would increase by 299 points to 3241 points.[10] Barnett would become the third largest depository institution in the De Soto County banking market, controlling approximately 24 percent of market deposits. Four depository institutions, including two large multi-state commercial banking organizations, would remain in the banking market. Two competitors would have market shares larger than Barnett's, one controlling approximately 43 percent of market deposits and one, a large multi-state commercial banking organization, controlling approximately 28 percent of market deposits. The market also has characteristics that make it attractive for entry for out-of-market firms. In De Soto County, deposits statewide and in non-MSAs have increased at a higher rate than the average for deposit growth. De Soto County's population per branch office and deposits per branch office also are higher than the average for other non-MSAs. Since 1991, two depository institutions have entered the banking market through acquisitions.

Based on these and all the other facts of record, the Board concludes that consummation of the proposal would

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

3. Thrift currently does not engage in any impermissible activities.

4. 12 U.S.C. § 1843(c)(8).

5. These banking markets are discussed in the Appendix.

6. Market share data are as of June 30, 1996. 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 Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because Thrift is currently affiliated with and would be acquired by a commercial banking organization, Thrift's deposits are included at 100 percent in the calculations of market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992). *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n.9 (1990).

7. Under the DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is more than 1800 is considered highly concentrated. The 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 threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effects of limited-purpose lenders and other non-depository financial entities.

8. The Punta Gorda, Florida, banking market is approximated by Charlotte County excluding the towns of Cape Haze, Englewood, Englewood Beach, Grove City, New Point Comfort, Placida, and Rotonda West, and including the town of North Port in Sarasota County.

9. The Board notes that if Thrift's deposits were weighted at 50 percent on a pre-merger basis, the HHI in the De Soto banking market would increase by only 42 points to 3241.

10. The De Soto County, Florida, banking market is approximated by De Soto County, Florida.

not have a significantly adverse effect on competition or on the concentration of banking resources in the Punta Gorda or the De Soto County banking markets. Consummation of the proposal would not exceed the DOJ Guidelines in the seven other banking markets in which Barnett and Thrift compete and numerous competitors would remain in these markets. Accordingly, consummation of the proposal would not have a significantly adverse effect on competition in any other relevant banking market.

Other Considerations

As part of its evaluation of the public interest factors, the Board has carefully considered the financial and managerial resources of Barnett, its subsidiaries and Thrift, and the effect the transaction would have on such resources in light of all the facts of record. These facts of record include supervisory reports of examination assessing the financial and managerial resources of the organizations and recent *pro forma* financial information provided by Barnett. The Board notes that Barnett, Thrift, and Barnett's insured depository institutions, meet or exceed the "well capitalized" thresholds under applicable law, and Barnett would continue to do so after consummation of the proposal. Based on all the facts of record, the Board has concluded that the financial and managerial resources of the organizations involved in the proposal are consistent with approval.

The record also indicates that consummation of the proposal would result in public benefits. Barnett intends to offer Thrift's current and potential customers an expanded branch network and a broader array of banking products and services. Thrift customers would gain access to consumer and commercial investment services, consumer leasing services, commercial lending services, cash management services, international banking services, and electronic banking services and products. Based on all the facts of record, the Board has determined that the proposal by Barnett 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, 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.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. The Board's approval of the notice is specifically conditioned on compliance by Barnett and Thrift with commitments made in connection with the notice. The Board's determination also is subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)) and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision 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 proposal shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 15, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Local banking markets where Barnett and Thrift's subsidiary depository institutions compete, all in Florida:

(1) Beverly Hills—approximated by Citrus County, excluding the town of Citrus Springs. After consummation of the proposal, Barnett would control 21.3 percent of the market deposits and would remain the second largest depository institution in the market. The HHI would increase 43 points to 1731.
(2) Fort Myers—approximated by Lee County, excluding the town of Boca Grande, but including the town of Immokalee in Collier County. After consummation of the proposal, Barnett would control 18.5 percent of the market deposits and would remain the third largest depository institution in the market. The HHI would increase 40 points to 1677.
(3) Jacksonville—approximated by Baker, Clay, Duval and Nassau Counties, and the towns of Fruit Cove, Ponte Vedra, and Ponte Vedra Beach in St. Johns County, plus the city of Folkston in Charlton County, Georgia. After consummation of the proposal, Barnett would control 23.4 percent of the market deposits and would remain the second largest depository institution in the market. The HHI would remain unchanged.
(4) Orlando—approximated by Orange, Osceola and Seminole Counties, plus the western half of Volusia County and the towns of Clermont and Groveland in Lake County. After consummation of the proposal, Barnett would control 21 percent of the market deposits and would remain the second largest depository institution in the market. The HHI would increase by 1 point to 1618.
(5) Sarasota—approximated by Sarasota and Manatee Counties, excluding the town of North Port in Sarasota County, and including the towns of Cape Haze, Englewood, Englewood Beach, Grove City, New Point Comfort, Placida, and Rotonda West in Charlotte County, and the town of Boca Grande in Lee County. After consummation

of the proposal, Barnett would control 25.1 percent of the market deposits and would remain the largest depository institution in the market. The HHI would increase by 195 points to 1590.
(6) Tampa Bay—approximated by Hernando, Hillsborough, Pinellas and Pasco Counties. After consummation of the proposal, Barnett would control 25.5 percent of the market deposits and would remain the largest depository institution in the market. The HHI would increase by 44 points to 1485.
(7) West Palm Beach—approximated by Palm Beach County east of Loxahatchee and the towns of Indiantown and Hobe Sound in Martin County. After consummation of the proposal, Barnett would control 18.3 percent of the market deposits and would remain the second largest depository institution in the market. The HHI would increase by 7 points to 1036.

Concurring Statement of Governor Meyer

I believe that the proposed acquisition presents a close case because of the concentration results in two markets: Punta Gorda and DeSoto.

In the Punta Gorda market, there will be a very large increase in the HHI of 653 points, which in itself raises concerns about the potential competitive effects. Furthermore, following the merger, the market will be in the highly concentrated range based on the Department of Justice merger guidelines. The DeSoto market is already so highly concentrated that the more modest but still substantial increase in the HHI resulting from the merger raises concerns about the potential competitive effects.

Were it not for unusually strong mitigating factors in both of these markets, I could not support approval of this acquisition without appropriate divestiture.

BB&T Corporation
Winston-Salem, North Carolina

Order Approving Notice to Engage in Nonbanking Activities

BB&T Corporation, Winston-Salem, North Carolina ("BB&T"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire all the voting securities of Craigie Incorporated, Richmond, Virginia ("Company"), and thereby engage in the following nonbanking activities:

(1) Underwriting and dealing in, to a limited extent, all types of debt and equity securities other than interests in open-end investment companies ("bank-ineligible securities");
(2) Extending credit and servicing loans, pursuant to section 225.28(b)(1) of Regulation Y (12 C.F.R. 225.28(b)(1));
(3) Providing leasing services, pursuant to section 225.28(b)(3) of Regulation Y (12 C.F.R. 225.28(b)(3));
(4) Providing financial and investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
(5) Providing securities brokerage, riskless principal, private placement and other transactional services, pursuant to section 225.28(b)(7)(i), (ii), (iii) and (v) of Regulation Y (12 C.F.R. 225.28(b)(7)(i), (ii), (iii) and (v)); and
(6) Underwriting and dealing in government obligations and money market instruments in which state member banks may underwrite and deal under 12 U.S.C. §§ 335 and 24(7) ("bank-eligible securities"), and engaging in investing and trading activities, pursuant to section 225.28(b)(8)(i) and (ii) of Regulation Y (12 C.F.R. 225.28(b)(8)(i) and (ii)).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 42,130 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

BB&T, with total consolidated assets of $23 billion, is the 35th largest banking organization in the United States.[1] BB&T controls five banking subsidiaries and one thrift subsidiary that operate in North Carolina, South Carolina, and Virginia, and engages in a broad range of permissible nonbanking activities throughout the United States. Company, with consolidated assets of $76 million, engages in investment advisory, securities brokerage, securities underwriting, and related activities. Company is, and following the proposed acquisition will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities and Exchange Act of 1934 ("1934 Act") (15 U.S.C. § 78a *et seq.*) and a member of the National Association of Securities Dealers ("NASD"). Accordingly, Company is, and will remain, subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the 1934 Act, the SEC, and the NASD.

Underwriting and Dealing Activities

The Board has determined—subject to the framework of prudential limitations to address the potential for conflicts of interests, unsound banking practices, or other adverse effects—that the proposed activities of underwriting and dealing in bank-ineligible securities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[2]

1. Asset and ranking data are as of June 30, 1997.
2. *See 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 Gover-*

The Board also has determined that conduct of the proposed activities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in underwriting and dealing activities derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities over a two-year period.[3] BB&T has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities subject to the Board's 25 percent revenue limit.[4]

Other Activities Approved by Regulation

The Board previously has determined by regulation that the proposed credit and loan servicing activities; leasing activities; financial and investment advisory services; securities brokerage, riskless principal, private placement and other transactional activities; bank-eligible underwriting and dealing, and investment and trading activities to be conducted by BB&T after its acquisition of Company are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[5] BB&T has committed to conduct each of these activities in accordance with Regulation Y and relevant Board interpretations and orders.

Proper Incident to Banking Standard

In order to approve this proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[6]

BB&T has proposed to conduct its underwriting and dealing activities in bank-ineligible securities in accordance with the framework of prudential limitations established by the Board in the Section 20 Orders. After concluding that a narrower set of restrictions is fully consistent with safety and soundness, should improve the operating efficiencies of section 20 subsidiaries, and should increase options for customers of section 20 subsidiaries, the Board recently modified the prudential limitations it had established in the Section 20 Orders.[7] The Board's action in this case is conditioned on compliance by BB&T and its subsidiaries, including Company, with the prudential limitations established in the Section 20 Orders, as recently revised. As noted above, BB&T and Company also will conduct the other proposed activities in accordance with the limitations set forth in Regulation Y, and the Board's orders and interpretations relating to each of these activities.

As part of its evaluation of the proper incident to banking factors, the Board also considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[8] The Board has reviewed the capitalization of BB&T and Company in accordance with the standards set forth in the Section 20 Orders and finds the capitalization of each to be consistent with the approval. The determination about the capitalization of Company is based on all the facts of record, including BB&T's projections of the volume of Company's underwriting and dealing activities in bank-ineligible securities.

On the basis of its supervisory experience with BB&T, the results of a recent infrastructure review of Company, the commitments provided in this case, and the proposed management of Company, the Board has determined that BB&T and Company have established policies and procedures to ensure compliance with this order and the Section 20 Orders, including computer, audit, and accounting systems, internal risk management controls, and the necessary operational and managerial infrastructure. The Board also has reviewed other aspects of the managerial resources of the entities involved in the proposal, including the expected effect of the proposal on such resources. On the basis of the foregoing and all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the proposal.

The Board also has carefully considered the competitive effects of this proposal. BB&T operates a subsidiary that competes with Company. The markets for the nonbanking services offered by BB&T and Company are unconcentrated, and there are numerous providers of the nonbanking services that BB&T and Company offer. As a result, consummation of this proposal would have a *de minimis* effect on competition for these services, and the Board has con-

nors of the Federal Reserve System, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 486 U.S. 1059 (1988); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996) and *Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997) (collectively, the "Section 20 Orders").

3. Compliance with the 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), and *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 48,953 (1996), and *Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996) (collectively, "Modification Orders").

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

5. *See* 12 C.F.R. 225.28(b)(1), (3), (6), (7)(i), (7)(ii), (7)(iii), (7)(v), (8)(i) and (8)(ii).

6. *See* 12 U.S.C. § 1843(c)(8).

7. *See Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997).

8. *See* 12 C.F.R. 225.26.

cluded that the proposal would not result in a significantly adverse effect on competition in any relevant market.

The Board expects that the proposed acquisition would provide added convenience to customers of both BB&T and Company and lead to improved methods of meeting customer financing needs. BB&T notes that the proposed acquisition would give Company greater access to capital and enhanced marketing and administrative support that would make Company a stronger competitor. Additionally, following consummation of the proposed acquisition, BB&T would be able to offer to its customers the underwriting and dealing services of Company.

Based on all the facts of record, the Board has determined that consummation of the proposal by BB&T can reasonably be expected to produce public benefits. Under the framework and conditions established in this order and the Section 20 Orders (as revised), and based on all the facts of record, the Board concludes that Company's proposed underwriting and dealing activities in bank-ineligible securities are not likely to result in significantly adverse effects that would outweigh the public benefits. Similarly, the Board finds no evidence that Company's proposed riskless principal, private placement, and other nonbanking activities—conducted under the framework and conditions established in this order and Regulation Y— would likely result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would outweigh the public benefits of the proposal. Accordingly, the Board has determined that performance of the proposed activities by BB&T are a proper incident to banking for purposes of section 4(c)(8) of the BHC Act.

Conclusion

On the basis of all the facts of record, including all the commitments and representations made by BB&T, the Board has determined to, and hereby does, approve this notice subject to all the terms and conditions discussed in this order and in 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, avoiding 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, as modified by the Modification Orders, is not within the scope of the Board's approval and is not authorized for Company.

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 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), 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 specifically is conditioned on BB&T's compliance with all the commitments made in connection with this notice, including the commitments discussed in this order and the conditions set forth in the Board regulations and orders noted above. The commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and 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 Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 17, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

KeyCorp
Cleveland, Ohio

Order Approving Notice to Engage in Underwriting and Dealing in All Types of Debt and Equity Securities on a Limited Basis and Certain Other Nonbanking Activities

KeyCorp, Cleveland, Ohio ("KeyCorp"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to engage in the following nonbanking activities through its wholly owned subsidiary, Key Capital Markets, Inc., Cleveland, Ohio ("KCMI"):

(1) Underwriting and dealing in, to a limited extent, all types of debt and equity securities except ownership interests in open-end investment companies;

(2) Providing investment and financial advice, as described in section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));

(3) Conducting securities brokerage activities, buying and selling all types of securities on the order of customers as a "riskless principal," acting as agent in the private placement of all types of securities, acting as a futures commission merchant in the execution, clearance, and execution and clearance of futures contracts and options on futures contracts, and providing other transactional services, all as described in section 225.28(b)(7) of Regulation Y (12 C.F.R. 225.28(b)(7)); and

(4) Underwriting and dealing in government obligations and money market instruments, engaging in investing and trading activities, and buying and selling bullion and

related activities, all as described in section 225.28(b)(8) of Regulation Y (12 C.F.R. 225.28(b)(8).

KeyCorp seeks approval for KCMI to conduct the activities listed above worldwide.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 38,308 and 40,088 (1997)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

KeyCorp, with total consolidated assets of approximately $68 billion, is the 14th largest commercial banking organization in the United States.[1] KeyCorp operates subsidiary banks in 14 states, and engages in a broad range of permissible nonbanking activities through its subsidiaries. KCMI currently engages in limited underwriting and dealing in bank-ineligible securities[2] as permitted under section 20 of the Glass–Steagall Act (12 U.S.C. § 377).[3] KCMI is, and will continue to be, registered as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and is a member of the National Association of Securities Dealers, Inc. ("NASD"). KCMI, therefore, is subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD.

Underwriting and Dealing in Bank-Ineligible Securities

The Board has determined that, subject to the prudential framework of limitations established in previous decisions to address the potential for unsound banking practices or other adverse effects, the proposed activities of underwriting and dealing in 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.[4]

The Board also has determined that the conduct of the proposed activities is consistent with section 20 of the Glass–Steagall Act, provided that the company engaged in the underwriting and dealing activities derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities over a two-year period.[5] KeyCorp has committed that KCMI will conduct its underwriting and dealing activities in bank-ineligible securities subject to this revenue limit.[6]

Other Activities Approved by Regulation

As noted above, KeyCorp proposes to engage in providing investment and financial advice, agency transactional services for customer investments, and investment and trading services. The Board previously has determined by regulation that each of the proposed activities is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[7]

Proper Incident to Banking Standard

To approve this notice, the Board also must consider whether performance of the proposed activities is a proper incident to banking, that is, whether the proposed activities "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."[8] KeyCorp has proposed to conduct its underwriting and dealing activities in accordance with the framework of prudential limitations established by the Board in the Section 20 Orders to address potential adverse effects. The Board recently modified several of the prudential limitations established in the Section 20 Orders ("Section 20 firewalls") after concluding that a narrower set of restrictions is fully consistent with safety and soundness, should improve the operating efficiencies of section 20 subsidiaries, and increases options for customers of section 20 subsidiaries.[9] The Board's action in this case is based on compliance by KeyCorp and its subsidiaries, including KCMI, with the prudential limitations established by the

1. Asset and ranking data are as of March 31, 1997.

2. As used in this order, "bank-ineligible securities" refers to all types of debt and equity securities that a national bank may not underwrite or deal in directly under section 16 of the Glass–Steagall Act (12 U.S.C. § 24(7)).

3. KCMI 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. *See KeyCorp*, 82 *Federal Reserve Bulletin* 359 (1996).

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); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996), and *Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997) (collectively, "Section 20 Orders").

5. *See* Section 20 Orders. Compliance with the revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989) and *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 48,953 (1996) and *Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996) (collectively "Modification Orders").

6. KCMI may provide services that are necessary incidents to the proposed underwriting and dealing activities. Unless KCMI receives specific approval under section 4(c)(8) of the BHC Act to provide the activities independently, any revenues from the incidental activities must be treated as ineligible revenues that are subject to the revenue limit.

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

8. 12 U.S.C. § 1843(c)(8).

9. *See Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997).

Board in the Section 20 Orders, as recently revised by the Board.[10] KeyCorp and KCMI also will conduct the proposed activities in accordance with the limitations set forth in Regulation Y and the Board's orders and interpretations relating to each of the activities.

As part of its evaluation of these factors, the Board also considers the financial condition and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[11] The Board has reviewed the capitalization of KeyCorp and KCMI in accordance with the standards set forth in the Section 20 Orders and finds the capitalization of each to be consistent with approval. With respect to KCMI, this determination is based on all the facts of record, including KeyCorp's projections of the volume of KCMI's underwriting and dealing activities in bank-ineligible securities. On the basis of all the facts of record, including the foregoing, the Board concludes that financial considerations are consistent with approval of the notice.

The Board also has considered the managerial resources of KeyCorp and its subsidiaries in light of all the facts of record, including comments from Inner City Press/Community on the Move ("ICP") contending that KCMI should not be permitted to expand its section 20 activities until it has gained additional experience in operating under its current section 20 powers and further demonstrated its operational and compliance capabilities.[12] The facts also include KCMI's record of satisfactory operations to date as reflected in supervisory reports of examination and the results of a recent infrastructure review of KCMI performed by the Federal Reserve Bank of Cleveland ("Reserve Bank") in connection with the notice. The infrastructure review considered the operational and managerial infrastructure of KeyCorp and KCMI for underwriting and dealing in all types of debt securities, including computer, audit, and accounting systems and internal risk management controls. The Board has determined on the basis of the infrastructure review that KeyCorp and KCMI have established policies and procedures to ensure compliance with the Section 20 firewalls and other requirements of this order and the Section 20 Orders for underwriting and dealing in debt securities. As discussed below, a satisfactory infrastructure review of KeyCorp and KCMI related to underwriting and dealing in all types of equity securities must be completed before KCMI may engage in these activities.

Based on all the facts of record, including ICP's comments, and for the reasons discussed above, and subject to the completion of a satisfactory infrastructure review of KeyCorp and KCMI related to underwriting and dealing in all types of equity securities, the Board concludes that considerations relating to the managerial resources of KeyCorp and its subsidiaries, including KCMI, are consistent with approval of the proposal.[13]

The Board expects that the expansion of the underwriting and dealing services to be provided by KCMI under the proposal would provide added convenience to KeyCorp's customers, lead to improved methods of meeting customers' financing needs, and increase the level of competition among existing providers of these services. In addition, there are public benefits to be derived from permitting bank holding companies to engage in potentially profitable activities when those activities are consistent, as in this

10. The Board's order authorizes KeyCorp to use the revised Section 20 firewalls on consummation of the proposal.

11. *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).

12. ICP also asserts that KeyCorp operates its nonbank lending subsidiaries pursuant to a strategy to illegally "steer" low- and moderate-income and minority borrowers to higher interest rate loans, which ICP alleges would reflect adversely on managerial considerations. ICP has provided no facts, however, to show violations of fair lending laws. The Board notes, moreover, that examiners found no evidence of illegal discrimination or other practices that discourage applications for credit on a prohibited basis at the most recent examinations that considered fair lending law compliance at KeyCorp's subsidiary banks. KeyCorp's subsidiary banks account for a substantial majority of the organization's total consolidated assets, total consolidated net income, and total consolidated loans. KeyCorp's nonbank lending subsidiaries, on the other hand, account for less than 1 percent of its total consolidated net income and consolidated loans, and less than 5 percent of its total consolidated assets. The Board has broad supervisory authority under the banking laws to require bank holding companies and their nonbank subsidiaries to comply with all applicable laws in the event that facts or an examination show that KeyCorp's nonbank lending subsidiaries are not in compliance with fair lending laws.

ICP also maintains that KeyCorp's subsidiary banks have an inadequate record of complying with laws and regulations, including the reporting requirements of the Home Mortgage Disclosure Act (12 U.S.C. 2801 *et seq.*). The Board previously has considered these allegations. *See KeyCorp*, 82 *Federal Reserve Bulletin* 946 (1996) ("KeyCorp Order"), the relevant portions of which are incorporated herein by reference.

13. ICP also raises issues related to KeyCorp's record of performance under the Community Reinvestment Act (12 U.S.C. 2901 *et seq.*) ("CRA"). ICP cites the number of branches of KeyCorp's subsidiary banks that have been closed or are projected to be closed. The Board previously has determined, however, that the CRA by its terms does not apply in applications by bank holding companies to acquire nonbank subsidiaries like KCMI that are not insured depository institutions. *See The Mitsui Bank, Limited*, 76 *Federal Reserve Bulletin* 381 (1990). Contrary to ICP's contentions, CRA factors, including branch closings, will be considered only in applications to acquire an insured depository institution under sections 3 or 4 of the BHC Act, consistent with the Board's statement in the KeyCorp Order.

ICP also maintains that the recent acquisition of Champion Mortgage Company ("Champion") by KeyBank USA, National Association ("KeyBank USA"), raises adverse CRA performance and consumer law compliance issues, and that KeyBank USA was improperly designated by the Office of the Comptroller of the Currency ("OCC") as a "limited purpose" institution for purposes of evaluating the bank's CRA compliance. ICP also contends that KeyCorp did not provide ICP with information on the approval process for the Champion acquisition or on branch closings by its lead subsidiary bank, KeyBank National Association. The Board has provided a copy of ICP's comments to the OCC for consideration. KeyBank USA's acquisition of Champion, which engages in lending activities that a national bank is authorized to engage in under the National Bank Act (12 U.S.C. § 24(7)), was consistent with the Board's Regulation Y and did not require prior Board approval. *See* 12 C.F.R. 225.22(e)(1). As previously discussed, furthermore, branch closings are not relevant to the proposal under consideration by the Board.

case, with the relevant considerations under the BHC Act. As noted above, KeyCorp has committed that KCMI will conduct its bank-ineligible securities underwriting and dealing activities in accordance with the prudential framework established by the Board's Section 20 Orders. Under the framework and conditions established in this order and the Section 20 Orders, the Board concludes that KCMI's proposed limited conduct of underwriting and dealing in bank-ineligible securities is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits. Similarly, the Board finds no evidence that KCMI's proposal to provide investment and financial advice, agency transactional services for customer investments, and investment and trading services would likely result in any significantly adverse effects that would outweigh the public benefits of the proposal. Accordingly, the Board has determined that performance of the proposed activities by KeyCorp 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.

For the reasons set forth in this order, the Section 20 Orders, and the Modification Orders, the Board has concluded that KeyCorp's proposal to engage through KCMI 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 KeyCorp limits KCMI's activities as specified in this order, the Section 20 Orders, and the Modification Orders.

Based on the foregoing and all other facts of record, the Board has determined to, and hereby does, approve this notice subject to all terms and conditions discussed in this order, the Section 20 Orders and the Modification Orders. The Board's approval of the proposal extends only to activities conducted within the limitations of this order and those orders, including the Board's reservation of authority to establish additional limitations to ensure that KCMI's activities are consistent with safety and soundness, avoidance of conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order, the Section 20 Orders, and the Modification Orders is not authorized for KCMI.

The Board's approval of the proposed underwriting and dealing in all types of equity securities is conditioned on a future determination by the Board that KeyCorp and KCMI have established policies and procedures for equity underwriting and dealing to ensure compliance with the requirements of this order, the Section 20 Orders, and the Modification Orders, including computer, audit, and accounting systems, internal risk management controls, and the necessary operational and managerial infrastructure. After notification by the Board that this condition has been satisfied, KCMI may commence the proposed equity underwriting and dealing activities, subject to the other conditions of this order, the Section 20 Orders, and the Modification Orders.

The Board's determination is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. In approving the proposal, the Board has relied on all the facts of record and all the representations and commitments made by KeyCorp in connection with the proposal, and the Board's determination is specifically conditioned thereon. These commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective September 8, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

NationsBank Corporation
Charlotte, North Carolina

Order Approving Notice to Engage in Certain Nonbanking Activities

NationsBank Corporation, Charlotte, North Carolina ("NationsBank"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire all the assets and assume all the liabilities of two related companies, Montgomery Securities and The Pyramid Company, both of San Francisco, California (together, "Montgomery").[1] NationsBank would thereby engage in the following activities:

(1) Underwriting and dealing, to a limited extent, in all types of debt and equity securities, other than ownership interests in open-end investment companies;

1. The acquisition would be structured as a simultaneous merger of Montgomery Securities and The Pyramid Company into Acquisition Co., a newly created, wholly owned subsidiary of NationsBank. Immediately following the acquisition, Acquisition Co. would be merged with and into NationsBanc Capital Markets, Inc., Charlotte, North Carolina ("NCMI").

(2) Underwriting and dealing in government obligations and money market instruments in which state member banks may underwrite and deal under 12 U.S.C. §§ 335 and 24(7) ("bank-eligible securities"), pursuant to section 225.28(b)(8)(i) of Regulation Y (12 C.F.R. 225.28(b)(8)(i));
(3) Providing financial and investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6)); and
(4) Providing securities brokerage, private placement, and riskless principal services, pursuant to section 225.25(b)(7)(i), (ii), and (iii) of Regulation Y (12 C.F.R. 225.25(b)(7)(i), (ii), and (iii)).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 39,243 (1997)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

NationsBank, with total consolidated assets of $239 billion, is the fourth largest commercial banking organization in the United States.[2] NationsBank operates bank subsidiaries in 17 states and the District of Columbia. NationsBank also engages through its subsidiaries in a broad range of permissible nonbanking activities. Montgomery, with total consolidated assets of $2.5 billion, engages in investment advisory, securities brokerage, securities underwriting, and related activities.

NationsBank proposes to merge Montgomery with and into NCMI, a subsidiary of NationsBank that engages in a wide range of securities activities, including engaging to a limited extent in underwriting and dealing in all types of debt and equity securities in which a state member bank may not underwrite or deal ("bank-ineligible securities").[3] Following consummation, NCMI would be renamed NationsBanc Montgomery Securities, Inc. ("NMSI"). NCMI is, and NMSI would 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, NCMI is, and NMSI would remain, subject to the recordkeeping 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.

Activities Previously Approved by the Board

The Board previously has determined by order or regulation that the activities NationsBank proposes to conduct after its acquisition of Montgomery are closely related to banking within the meaning of section 4(c)(8) of the BHC Act, and the Board previously has authorized NationsBank to engage in each of the activities.[4] NationsBank would continue to conduct the activities in accordance with the *NationsBank Order*, Regulation Y, and the relevant Board interpretations and orders pertaining to each of the activities.

As noted above, NationsBank engages, through NCMI, in limited underwriting and dealing activities that the Board previously has determined to be permissible under section 20 of the Glass–Steagall Act (12 U.S.C. § 377). Montgomery also is engaged in underwriting and dealing activities. The Board has concluded that conduct of the proposed activities is consistent with section 20,[5] provided that NMSI derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities over a two-year period.[6] NationsBank has committed that, following the acquisition of Montgomery, NMSI will continue to conduct its bank-ineligible underwriting and dealing activities subject to the 25-percent revenue limitation and the prudential limitations previously established by the Board with respect to bank-ineligible securities underwriting and dealing.[7]

2. Asset and ranking data are as of March 31, 1997.

3. *See NationsBank Corporation*, 79 *Federal Reserve Bulletin* 892 (1993) ("*NationsBank Order*").

4. *See NationsBank Order*.

5. *See 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); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996), and *Amendments to the Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997) (collectively, "Section 20 Orders").

6. *See* Section 20 Orders. Effective March 6, 1997, the Board increased from 10 to 25 percent the amount of total revenue that a section 20 subsidiary may derive from underwriting and dealing in bank-ineligible securities. *Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996). Compliance with the 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), and *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engage in Underwriting and Dealing in Securities*, 61 *Federal Register* 48,953 (1996) (collectively, "Modification Orders").

7. Effective October 27, 1997, the Board substantially revised the prudential limitations with respect to bank-ineligible securities underwriting and dealing. *See Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997). NationsBank has committed that NMSI will conduct its bank-ineligible underwriting and dealing activities subject to the Board's new operating standards on the effective date.

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

Financial Factors, Managerial Resources, and Other Considerations

In order to approve this notice, the Board also must consider whether performance of the proposed activities is a proper incident to banking, that is, whether the activities proposed "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."[8] As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[9] The review has included supervisory reports of examination assessing the financial and managerial resources of the organizations and *pro forma* financial information provided by NationsBank.

Financial and Managerial Resources. In considering the financial resources of the notificant, the Board has reviewed the capitalization of NationsBank and NMSI in accordance with the standards set forth in the Section 20 Orders. The Board finds the capitalization of each to be consistent with approval of the proposal. With respect to NMSI, the Board's determination is based on all the facts of record, including NationsBank's projections of the volume of NMSI's underwriting and dealing activities in bank-ineligible securities.

The Board also has reviewed the managerial resources of each of the entities involved in this proposal. As part of that review, the Board has carefully examined comments submitted by Inner City Press/Community on the Move and the New Mexico Alliance ("Protestants"). Protestants raise concerns regarding the managerial resources of NationsBank, Montgomery, and NCMI, and contend that the proposed acquisition would have adverse competitive effects on the markets currently served by Montgomery and NCMI. Protestants further raise concerns regarding certain adverse effects that they allege have arisen from the consummation of NationsBank's acquisition of Boatmen's Bancshares, Inc., St. Louis, Missouri ("Boatmens"), which the Board approved on December 16, 1996.[10]

Protestants' concerns about the managerial resources of NationsBank and Montgomery include concerns arising out of litigation involving the two parties,[11] alleged adverse effects of NationsBank's acquisition of Boatmens,[12] and published articles about NationsBank's underwriting and dealing activities. The Board has considered this information in light of examination reports, supervisory information, and its supervisory experience with NationsBank and NCMI. The Board also has considered that NationsBank has established policies and procedures to ensure compliance with this order and the Section 20 Orders, including computer, audit, and account systems, internal risk management controls, and the necessary operational and managerial infrastructure. On the basis of these and all the facts of record — including the Board's review of the managerial resources of the entities, the commitments provided in this case, and the proposed managerial structure and risk management systems of NMSI — the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

Competitive Effects. The Board has carefully considered the competitive effects of the proposed acquisition. NationsBank operates certain nonbanking subsidiaries, including NCMI, that compete with Montgomery. Protestants are concerned that the transaction will reduce competition because NationsBank has stated that NCMI and Montgomery offer their services to the same customers. NationsBank represents that there are few overlaps in the services provided by NationsBank and Montgomery to those customers. NationsBank states that Montgomery specializes in underwriting and trading equity securities, while NationsBank's securities business is focused almost exclusively on underwriting debt securities. To the extent that NationsBank and Montgomery offer different products, the proposed acquisition would result in no loss of competition.

There are some overlaps in the securities brokerage, underwriting and dealing, and financial advisory products that NationsBank and Montgomery offer. In those markets in which Montgomery's and NationsBank's product offer-

8. 12 U.S.C. § 1843(c)(8).

9. *See* 12 C.F.R. 225.26.

10. *See NationsBank Corporation*, 83 *Federal Reserve Bulletin* 148 (1997).

11. Protestants cite:

(a) An administrative complaint filed by the Department of Labor ("DOL") alleging that NationsBank engaged in discriminatory hiring practices in Charlotte, North Carolina, in 1993;

(b) Two settled class-action lawsuits against NationsBank in which allegations of improper sales practices of nondeposit investment products were raised; and

(c) A class-action lawsuit settled by Montgomery involving allegations of price fixing and other impermissible market-making activities.

The Board has carefully reviewed Protestants' comments in light of all the facts of record, including confidential information received from the DOL. The Board notes that none of the actions cited by Protestants has resulted in adjudications of wrongdoing on the part of NationsBank or Montgomery. The DOL administrative case is at a preliminary stage, and NationsBank has not yet responded to the allegations, and each of the class actions cited by Protestants were settled without determinations of wrongdoing.

12. Protestants raise concerns about various alleged adverse effects of NationsBank's acquisition of Boatmens and NationsBank's fair lending record. Protestants allege that the effects of NationsBank's acquisition of Boatmens differ from the expected effects that NationsBank's management presented to the Board when it sought approval for the acquisition. There is no evidence that NationsBank's management misrepresented the probable effects of the Boatmens transaction or that the Boatmens transaction will not result in the public benefits that the Board reasonably expected when it approved the transaction. In raising these concerns, Protestants have largely reiterated allegations that the Board carefully considered when it approved the acquisition of Boatmens by NationsBank. *See NationsBank Corporation*, 83 *Federal Reserve Bulletin* 148 (1997). Under the Board's Rules of Procedure, Protestants may not now seek a reconsideration of the Board's determination in that case. *See* 12 C.F.R. 262.3(k).

ings do overlap, there are numerous existing and potential competitors. Consummation of the proposal, therefore, would have a *de minimis* effect on competition in the market for these services, and the Board has concluded that the proposal would not result in any significantly adverse competitive effects in any relevant market.

Public Benefits. The Board expects that the proposed acquisition would provide added convenience to customers of both NationsBank and Montgomery and lead to improved methods of meeting customer financing needs. NationsBank has indicated that the acquisition would expand the range of products and services available to both its customers and those of Montgomery. Following consummation of the proposed acquisition, NationsBank's customers would have better access to equity financing, in which Montgomery specializes, and Montgomery's customers would have better access to debt financing and the risk management products now offered by NCMI.

Based on all the facts of record, the Board has determined that performance of the proposed activities by NationsBank can reasonably be expected to produce public benefits. As noted above, NationsBank has committed that NMSI will conduct its bank-ineligible securities underwriting and dealing activities in accordance with the prudential framework established by the Board's Section 20 Orders. Under the framework and conditions established in this order and the Section 20 Orders, and based on all the facts of record, including Protestants' comments, the Board concludes that NMSI's proposed underwriting and dealing activities in bank-ineligible securities are not likely to result in significantly adverse effects that would outweigh the public benefits. Similarly, the Board finds no evidence that NMSI's proposed riskless principal, private placement, and other nonbanking activities—conducted under the framework and conditions established in this order and Regulation Y—would likely result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would outweigh the public benefits of the proposal. Accordingly, the Board has determined that performance of the proposed activities by NationsBank is a proper incident to banking for purposes of section 4(c)(8) of the BHC Act.

Conclusion

On the basis of all the facts of record, the Board has determined that the notice should be, and hereby is, approved, subject to all the terms and conditions in this order and the Section 20 Orders, as modified by the Modification Orders.[13] The Board's approval of the 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 NMSI's activities are consistent with safety and soundness, avoidance of 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 (as modified by the Modification Orders) is not within the scope of the Board's approval and is not authorized for NMSI.

The Board's determination is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with this notice, 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.

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

By order of the Board of Governors, effective September 10, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

13. Protestants have requested a hearing or a public meeting on the proposal. Section 4 of the BHC Act and the Board's rules thereunder provide for a hearing on an application to acquire a savings association if there are disputed issues of material fact that cannot be resolved in some other manner. *See* 12 U.S.C. § 1843(c)(8). This case does not involve the acquisition of a savings association. Under its rules, the Board may also, in its discretion, hold a public hearing or meeting on an application or notice to clarify factual issues related to the notice and to provide an opportunity for testimony, if appropriate. *See* 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered Protestants' request for a hearing in light of all the facts of record. In the Board's view, Protestants have had ample opportunity to present their views, and they have submitted written comments that have been carefully considered by the Board in acting on the proposal. Protestants' request fails to demonstrate why their written presentations do not adequately present their evidence, allegations, and views. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted to clarify the factual record in the proposal, or otherwise warranted in this case. Accordingly, the request for a hearing on the proposal is hereby denied.

Union Planters Corporation
Memphis, Tennessee

Order Approving Acquisition of a Savings Association

Union Planters Corporation, Memphis, Tennessee ("Union Planters"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire Magna Bancorp, Inc. ("Magna"), and thereby acquire Magnolia Federal Bank for Savings ("Savings Bank"), and Magna Mortgage Company ("Magna Mortgage"), all of Hattiesburg, Mississippi.[1] Magna Mortgage engages in originating and servicing mortgage loans, pursuant to section 225.28(b)(1) of the Board's Regulation Y (12 C.F.R. 225.28(b)(1)), and in providing real estate appraisal and inspection services, pursuant to section 225.28(b)(2) of Regulation Y (12 C.F.R. 225.28(b)(2)).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 39,243 (1997)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Union Planters, with total consolidated assets of approximately $14.9 billion, is the 46th largest commercial banking organization in the United States, controlling less than 1 percent of total banking assets in the United States.[2] Union Planters operates subsidiary banks in Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee. Magna operates offices in Mississippi and Alabama. On consummation, Union Planters would become the third largest depository institution[3] in Mississippi, controlling $2.8 billion in deposits, representing approximately 11.5 percent of total deposits in the state.[4] Union Planters also would remain the tenth largest depository institution in Alabama, controlling $542.7 million in deposits, representing approximately 1.2 percent of total deposits in depository institutions in the state.[5]

The Board previously has determined by regulation that the operation of a savings association by a bank holding company and the activities of extending credit, servicing loans, and providing services related to extending credit are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[6] The Board requires that savings associations acquired by a bank holding company conform their direct and indirect activities to those permissible for a bank holding company under section 4 of the BHC Act and Regulation Y. Union Planters has committed that it will conduct the proposed activities in accordance with the Board's regulations.

Competitive Considerations

In order to approve the proposal, the Board also must determine that the performance of the proposed activities is a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[7] As part of the Board's evaluation of these factors, the Board has carefully considered the competitive effects of the proposed transaction.

Union Planters and Savings Bank compete directly in nine banking markets, all in Mississippi. The Board has carefully reviewed the competitive effects of the proposal in those markets in light of all the facts of record, including the number of competitors that would remain in the markets, the projected increase in the concentration of total deposits in depository institutions in the markets ("market deposits"),[8] as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"),[9] and commitments made

1. Union Planters plans to merge Savings Bank with and into one of Union Planters's state-chartered subsidiary banks. The merger is subject to the approval of the Federal Deposit Insurance Corporation under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act").

2. All asset data are as of March 31, 1997. All deposit data are as of June 30, 1996.

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

4. In Mississippi, Union Planters currently is the fourth largest depository institution, controlling total deposits of $2.1 billion, representing approximately 8.5 percent of total deposits in depository institutions in that state, and Magna is the seventh largest depository institution, controlling total deposits of $739.1 million, representing approximately 3 percent of total deposits in depository institutions in that state.

5. In Alabama, Union Planters currently is the tenth largest depository institution, controlling total deposits of $418.7 million, representing less than 1 percent of total deposits in depository institutions in the state, and Magna is the 34th largest depository institution in Alabama, controlling $124 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state.

6. 12 C.F.R. 225.28(b)(4)(ii) (savings association) and 225.28(b)(1) and (2) (extensions of credit and related activities).

7. 12 U.S.C. § 1843(c)(8).

8. 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). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). Because the deposits of Savings Bank would be controlled by a commercial banking organization after consummation of the proposal, those deposits are included at 100 percent in the calculation of Union Planters' *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

9. Under the revised DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated, and a market in which the post-merger HHI exceeds 1800 is considered highly 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-

by Union Planters to divest branches in certain markets to address potential anticompetitive effects.[10]

As described in more detail in the Appendix, and considering the effect of proposed divestitures, consummation of the proposal would exceed the DOJ Guidelines in only one banking market. In the Washington County, Mississippi ("Washington County"), banking market,[11] the HHI would increase by 280 points to 2053. Union Planters would remain the largest depository institution in the banking market, controlling 31.2 percent of market deposits.

In analyzing the competitive effects of the proposal on this market, the Board also has considered that the Washington County banking market is a rural banking market and that seven commercial banking organizations would remain in the market after consummation of the proposal. Four competitors other than Union Planters would have market shares of 9.9 percent or more, including two of the largest bank holding companies in Mississippi, which would have market shares of 22 percent and 19 percent.

Based on the number and size of the remaining competitors, the characteristics of the market, and all other facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition in the Washington County banking market. Similarly, based on all the facts of record, including the proposed divestitures, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any other relevant banking market.

Other Considerations

As part of its consideration of the public interest factors, the Board has carefully considered, in light of all the facts of record, the financial and managerial resources of Union Planters and Magna and their subsidiaries and the effect the transaction would have on such resources. Information considered included supervisory reports of examination assessing the financial and managerial resources of the organizations and recent *pro forma* financial information provided by Union Planters. The Board notes that Union Planters, Magna, and each of their insured depository institutions meet or exceed the "well capitalized" thresholds under applicable law, and that Union Planters would continue to meet those thresholds after consummation of the proposal. Based on all the facts of record, the Board has concluded that the financial and managerial resources of the organizations involved in the proposal are consistent with approval.

The record also indicates that consummation of the proposal would result in public benefits. The proposal would result in a broader financial network through which Magna's customers would have access to the increased services offered at Union Planters's subsidiary banks. Additionally, there are public benefits from permitting capital markets to operate so that bank holding companies may make potentially profitable investments in nonbanking companies when those investments are consistent, as in this case, with the relevant considerations under the BHC Act, and from permitting banking organizations to allocate their resources in the manner they believe is most efficient. As discussed above, the proposal is not expected to result in any significantly adverse competitive effects, and financial and managerial factors are consistent with approval. Based on all the facts of record, the Board has determined that the Union Planters proposal 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, 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.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. The Board's approval of the proposal is specifically conditioned on compliance by Union Planters with the commitments made in connection with this notice, including the divestiture commitments discussed in the order. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the

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.

10. In each market in which Union Planters has committed to divest offices to mitigate the anticompetitive effects of the proposal, Union Planters has committed to execute sales agreements with a competitively suitable purchaser prior to consummation of the acquisition of Magna and to complete the divestitures within 180 days of consummation of the acquisition. Union Planters also has committed that, in the event it is unsuccessful in completing any divestiture within 180 days of consummation of the proposal, Union Planters will transfer the unsold branch(es) to an independent trustee that is acceptable to the Board and that will be instructed to sell the branches promptly. *See BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991). Union Planters has further committed to submit to the Board, prior to consummation, an executed trust agreement acceptable to the Board stating the terms of these divestitures.

11. The Washington County banking market consists of Washington County, Mississippi.

Federal Reserve Bank of St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 10, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

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

(1) Biloxi—Approximated by Hancock and Harrison Counties, plus the city of Ocean Springs in Jackson County. Union Planters would control 9.9 percent of the market deposits and would become the third largest depository institution in the market. The HHI would not increase and ten depository institutions would remain in the market after consummation of the proposal.
(2) Hattiesburg—Approximated by Forrest and Lamar Counties. Union Planters would control 25 percent of the market deposits and would remain the largest depository institution in the market. The HHI would increase 147 points to 2077. Eight depository institutions would remain in the market after consummation of the proposal.
(3) Indianola—Approximated by the southern half of Sunflower County. Union Planters would control 12.7 percent of the market deposits and would remain the third largest depository institution in the market. The HHI would not increase and three depository institutions would remain in the market after consummation of the proposal.
(4) Jackson—Approximated by Hinds, Madison and Rankin Counties, plus Copiah County excluding the town of Wesson, and including the town of Mendenhall in Simpson County. Union Planters would control 9.9 percent of the market deposits and would remain the third largest depository institution in the market. The HHI would not increase and 17 depository institutions would remain in the market after consummation of the proposal.
(5) Leflore County—Approximated by Leflore County. Union Planters would control 17.9 percent of the market deposits and would remain the fourth largest depository institution in the market. The HHI would increase 26 points to 2338. Five depository institutions would remain in the market after consummation of the proposal.
(6) Pascagoula—Approximated by Jackson County, less the town of Ocean Springs, and George County. Union Planters would control 9.4 percent of the market deposits and would become the fourth largest depository institution in the market. The HHI would not increase and eight depository institutions would remain in the market after consummation of the proposal.

B. Banking markets in Mississippi in which consummation of the proposal would not exceed the DOJ Guidelines with divestitures:

(1) Covington County—Approximated by Covington County. With the proposed divestiture, Union Planters would control 33.2 percent of the market deposits and would remain the largest depository institution in the market. The HHI would not increase and four depository institutions would remain in the market after consummation of the proposal.
(2) Grenada County—Approximated by Grenada County. With the proposed divestiture, Union Planters would control 53.6 percent of the market deposits and would remain the largest depository institution in the market. The HHI would not increase and five depository institutions would remain in the market after consummation of the proposal.

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

Huntington Bancshares Incorporated
Columbus, Ohio

Order Approving Acquisition of a Bank Holding Company

Huntington Bancshares Incorporated, Columbus, Ohio ("Huntington"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire First Michigan Bank Corporation, Holland, Michigan ("FMB"), and thereby acquire the subsidiary banks of FMB listed in the appendix.[1] Huntington also has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire the nonbanking subsidiaries of FMB also listed in the appendix, and thereby engage in certain trust, securities brokerage, and credit life insurance activities.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 33,871 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Huntington, with total consolidated assets of approximately $21.6 billion, is the 37th largest commercial banking organization in the United States, controlling less than

1. Huntington intends to merge FMB's subsidiary banks with and into its lead subsidiary bank, The Huntington National Bank, Columbus, Ohio ("Huntington Bank"). The merger is subject to the approval of the Office of the Comptroller of the Currency ("OCC"), the primary federal supervisor of Huntington Bank, under the Bank Merger Act (12 U.S.C. § 1828(c)). Huntington also has requested the Board's approval to exercise an option to purchase up to 19.9 percent of the voting shares of FMB. The option would terminate on consummation of this proposal.

1 percent of the total banking assets of insured commercial banks ("total banking assets").[2] Its two subsidiary banks operate in Ohio, Florida, Indiana, Kentucky, Michigan, and West Virginia. After consummation of the proposal, Huntington would remain the 37th largest commercial banking organization and control less than 1 percent of total banking assets.

In Michigan, Huntington is the 10th largest depository institution, controlling $1.8 billion in deposits, representing 1.8 percent of total deposits in depository institutions in the state.[3] FMB is the ninth largest depository institution in Michigan, controlling $2.9 billion in deposits, representing approximately 2.8 percent of all deposits in depository institutions in the state. On consummation of the proposal, Huntington would become the seventh largest commercial or thrift organization in Michigan, controlling deposits of $4.7 billion, representing approximately 4.6 percent of all deposits in depository institutions in the state.

Interstate Banking Analysis

Section 3(d) of the BHC Act, as amended by section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire a bank located in a state other than the home state of such bank holding company if certain conditions are met.[4] Huntington's home state is Ohio, and Huntington proposes to acquire FMB's subsidiary banks in Michigan. The conditions for an interstate acquisition under section 3(d) are met in this case.[5] In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

BHC Act Factors

Huntington and FMB do not compete with each other in any geographic banking market. Based on all the facts of record, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market.

The BHC Act also requires the Board to consider the financial and managerial resources of the companies and banks involved, the convenience and needs of the communities to be served, and certain other supervisory factors. The Board has carefully considered the financial and managerial resources and future prospects of Huntington, FMB, and each of their respective subsidiaries, and other supervisory factors, in light of all the facts of record. These facts include supervisory reports of examination assessing the financial and managerial resources of the organizations and recent *pro forma* financial information provided by Huntington. The Board notes that Huntington, FMB, and each of their respective subsidiary banks meet or exceed the "well capitalized" thresholds under applicable law and are expected to continue to do so after consummation of the proposal. Based on all the facts of record, the Board has concluded that the financial and managerial considerations, and all other supervisory factors that must be considered are consistent with approval of the proposal.

The Board also has considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board evaluates the convenience and needs factor in light of examinations of the CRA performance records of the relevant institutions by their primary federal supervisor. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of an institution's overall record of performance under the CRA by its primary federal supervisor.[6]

Huntington's lead subsidiary bank, Huntington Bank, received a "satisfactory" rating in its most recent CRA performance examination by the OCC, as of October 17, 1996.[7] All of FMB's subsidiary banks received either "outstanding" or "satisfactory" ratings for CRA performance in their most recent evaluations by their primary federal supervisor.

The Board has carefully reviewed comments from a city councilman in Cleveland ("Commenter") regarding the operations of two Huntington Bank branches in the Cleveland area.[8] One branch is in the Church Square shopping

2. National asset and ranking data are as of March 31, 1997.

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

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

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

6. The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement") (54 *Federal Register* 13,742, 13,745 (1989)) provides that a CRA examination is an important and often controlling factor in consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process.

7. Huntington's other subsidiary bank, Huntington State Bank, Alexandria, Ohio, received an "outstanding" rating from the Federal Reserve Bank of Cleveland, as of August 24, 1994. Examiners found no evidence of illegal discrimination or practices to discourage applications for credit on a prohibited basis at either of the Huntington subsidiary banks.

8. Commenter also contends that Huntington's failure to close its Cleveland offices in observance of Martin Luther King Day creates an

center, a neighborhood with predominately minority residents, and is the only branch of Huntington Bank that is closed on Wednesdays. The other branch is in Randall Mall, a mall with a predominately minority clientele, and it offers banking services only to merchants ("merchant-only services"). Commenter contends that these aspects of the branches' operations affect and treat minorities in an illegally disparate manner.[9]

Huntington states that although the Church Square branch is closed on Wednesdays, it is open on Saturday mornings from 9:00 a.m. until 12:00 p.m. unlike approximately one-third of Huntington Bank's full-service branches[10] and that the branch operates a full-service ATM that is available 24 hours a day. Huntington also notes that its Randall Mall branch provides needed services to the mall's merchants and that mall patrons are served by cash-dispensing ATMs on the upper and lower levels of the mall.[11]

The Board has carefully considered all the facts of record including the comments and responses discussed above, the CRA performance examinations of the institutions involved, and management's record of compliance with applicable rules and regulations. Based on a review of the entire record, the Board concludes that convenience and needs considerations, including the CRA performance records of both organizations' subsidiary banks, are consistent with approval of the proposal.[12]

atmosphere that is hostile to African Americans. Huntington states that, despite the closing of government offices, Martin Luther King Day is an active business day in Cleveland and that its holiday closing policy is adjusted in other cities to reflect Huntington Bank's perception of customer demand, local custom, and competitive considerations, and includes input from community groups. Huntington also notes that Huntington Bank treats Martin Luther King Day the same as other holidays such as President's Day and Veteran's Day, and offers its employees the opportunity to take the day off or receive compensatory time.

9. Commenter notes that Huntington Bank has erroneously designated two limited-service branches as full-service branches in its CRA public file. Huntington has amended its description in the public CRA file of branch services to reflect the limited nature of these two branches. Commenter also asserts that these branches are in controlled-access buildings which makes it difficult for area residents, who predominately are minorities, to obtain banking services. Huntington responds that the branches are located in privately owned nursing and retirement centers to provide banking services to residents and staff on a part-time basis. Huntington has a nondiscrimination policy for establishing such facilities. Huntington also notes that a full-service branch of Huntington Bank is located within walking distance of the two limited-access branches.

10. Huntington states that its experience shows that the Saturday morning business hours are advantageous to individuals who do not work in the area and can only bank and shop on Saturdays.

11. Huntington's Randall Mall branch office was opened at the request of mall management after the departure of another bank that had reduced its original full-service presence to a merchant-only office. The branch office is located in the interior of the mall and lacks the design features necessary to function as a full-service branch, such as access to the mall exterior, a drive-through facility, and an exterior drive-up ATM.

12. The Board has provided a copy of Commenter's submission to the OCC, the primary federal supervisor of Huntington Bank.

Nonbanking Considerations

Huntington also has filed notice, under section 4(c)(8) of the BHC Act, to acquire the nonbanking subsidiaries of FMB and thereby engage in trust, securities brokerage, and credit life insurance activities. The Board has determined by regulation that each of these activities is closely related to banking, and Huntington has committed to conduct the nonbanking activities in accordance with Regulation Y.[13]

In order to approve the proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public ... that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[14] As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries, including any company to be acquired, and the effect the transaction would have on such resources.[15] For the reasons noted above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the proposal.

The Board also has considered the competitive effects of the proposed acquisition of FMB's nonbanking subsidiaries. Huntington operates subsidiaries engaged in nonbanking activities that compete with certain nonbanking subsidiaries of FMB. In each case, the markets for these nonbanking services are unconcentrated, and there are numerous providers of these services. As a result, consummation of the proposal would have a *de minimis* effect on competition for these services, and the Board has concluded that the proposal would not result in a significantly adverse effect on competition in any relevant market. In addition, the Board expects that the acquisition would provide added convenience to FMB's customers and the public. Huntington states that FMB customers would have a wider variety of banking products and fiduciary services and would be able to take advantage of innovative delivery systems for banking services developed by Huntington. Accordingly, based on all the facts of record, the Board has determined that the balance of public benefits that the Board must consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of the proposal.

Conclusion

Based on the foregoing and all the other facts of record, the Board has determined that the application and notice should be, and hereby are, approved. The Board's approval is specifically conditioned on compliance by Huntington

13. *See* 12 C.F.R. 225.28(b)(5), (7)(i), and (11)(i).

14. *See* 12 U.S.C. § 1843(c)(8).

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

with all the commitments made in connection with the proposal and with the conditions stated or referred to in this order, and on receipt by Huntington of all necessary approvals from state and federal regulators and other authorities.

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

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

By order of the Board of Governors, effective September 2, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

A. FMB subsidiary banks to be acquired by Huntington, all in Michigan:

(1) FMB-First Michigan Bank, Zeeland;
(2) FMB-First Michigan Bank-Grand Rapids, Grand Rapids;
(3) FMB-Lumberman's Bank, Muskegon;
(4) FMB-Northwestern Bank, Boyne City;
(5) FMB-State Savings Bank, Lowell;
(6) FMB-Commercial Bank, Greenville;
(7) FMB-Sault Bank, Sault St. Marie;
(8) FMB-Security Bank, Manistee;
(9) FMB-Community Bank, Dowagiac;
(10) FMB-Oceana Bank, Hart;
(11) FMB-Reed City Bank, Reed City;
(12) FMB-Maynard Allen Bank, Portland;
(13) FMB-Old State Bank, Fremont; and
(14) FMB-Arcadia Bank, Kalamazoo.

B. FMB nonbanking subsidiaries to be acquired by Huntington, all in Holland, Michigan:

(1) FMB-Trust, and thereby engage in trust company functions, pursuant to section 225.28(b)(5) of Regulation Y (12 C.F.R. 225.28(b)(5));
(2) FMB Brokerage Services, Inc., and thereby engage in securities brokerage services, pursuant to section 225.28(b)(7)(i) of Regulation Y (12 C.F.R. 225.28(b)(7)(i)); and
(3) First Michigan Life Insurance Company, and thereby engage in underwriting and brokering life, health, and accident insurance directly related to extensions of credit made by Huntington or any of its subsidiaries, pursuant to section 225.28(b)(11)(i) of Regulation Y (12 C.F.R. 225.28(b)(11)(i)).

Orders Issued Under Bank Merger Act

Citizens Commercial Bank & Trust Company Celina, Ohio

Order Approving Acquisition and Establishment of Branches

Citizens Commercial Bank & Trust Company, Celina ("Citizens"), a state member bank, has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to acquire 11 branches from KeyBank, N.A., Cleveland ("KeyBank"), both in Ohio, and under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branches at the locations of the former KeyBank branches.[1]

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 proposal were requested from the United States Attorney General ("Justice Department"), 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 application and all the facts of record in light of the factors set forth in the Bank Merger Act and section 9 of the Federal Reserve Act.

First Financial is the 11th largest commercial banking organization in Ohio, controlling deposits of $1.1 billion, representing 1.1 percent of the total deposits in commercial banking organizations in Ohio.[2] The KeyBank branches to be acquired control deposits of $230.8 million, representing less than 1 percent of the total deposits in commercial banking organizations in Ohio. On consummation of the proposal, First Financial would remain the 11th largest commercial banking organization in Ohio, controlling deposits of $1.3 billion, representing 1.3 percent of the total deposits in commercial banking organizations in the state.

1. Citizens is a wholly owned subsidiary bank of First Financial Bancorp, Hamilton, Ohio ("First Financial"). The locations of the KeyBank branches to be acquired are set forth in the Appendix.
2. All data are as of June 30, 1996.

Competitive Considerations

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

Citizens and KeyBank compete in the Celina-St. Mary's, Ohio, banking market.[4] Citizens is the largest depository institution in the market, controlling \$178.3 million in deposits, representing 18.7 percent of total deposits in depository institutions in the market ("market deposits").[5] Citizens proposes to acquire eight KeyBank branches in the banking market that control deposits of \$164.9 million, representing 17.2 percent of market deposits. On consummation, Citizens would remain the largest depository institution in the Celina-St. Mary's banking market, controlling \$343.3 million in deposits, representing 35.9 percent of market deposits. Concentration in the banking market, as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"), would increase 645 points to 1908.[6]

In evaluating the effect on competition, the Board also has considered that the Celina-St. Mary's banking market is a relatively small rural banking market near the Ohio and Indiana border and would continue to be served by ten depository institutions after consummation of the proposal. Five competitors, not including Citizens, would each control a market share of more than 5 percent, and three of these competitors would each control a market share of more than 10 percent. Two competitors, including a competitor that controls a market share of more than 10 percent, are large multistate bank holding companies. In addition, two other competitors have announced plans to open branches in the banking market in the near future. Commercial banks in Ohio, moreover, may branch *de novo* statewide.[7]

As in other cases, the Board has sought comments from the Justice Department, the OCC, and the FDIC on the competitive effects of the proposal. The Justice Department has advised the Board that consummation of the proposal would not be likely to have any significantly adverse competitive effects in the Celina-St. Mary's banking market or in any other relevant banking markets. The OCC and FDIC did not object to consummation of the proposal or indicate it would have any significantly adverse competitive effects in the Celina-St. Mary's banking market or in any other relevant banking markets.

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

Other Considerations

The Bank Merger Act also requires the Board to consider the financial and managerial resources and future prospects of the institutions involved in the proposal, and the convenience and needs of the communities to be served. Based on all the facts of record, including supervisory reports of examination assessing the financial and managerial resources of the organizations and financial information provided by Citizens, the Board concludes that financial and managerial resources and future prospects considerations are consistent with approval as are considerations relating to the convenience and needs of the communities to be served. The Board also concludes that factors required to be considered under the Federal Reserve Act are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval of the applications is conditioned on compliance by Citizens with all the commitments made in connection with the 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 of the KeyBank branches may not be consummated before the fifteenth day following the date of this order, or later than three months after the effective date of this order, unless such period is extended by the Board

3. 12 U.S.C. § 1828(c)(5).

4. The Celina-St. Mary's banking market is approximated by Mercer County; the townships of German, Jackson, Noble, St. Mary's and Washington in Auglaize County; and the townships of Allen, Mississinawa, Patterson, Wabash, and York in Darke County, all in Ohio.

5. In this context, 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, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See e.g. First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

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

7. Ohio Rev. Code Ann. § 1117.01 (Anderson 1996). 12 U.S.C. § 36(c).

or by the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 9, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Locations of KeyBank Branches to be Acquired and Established as Branches of Citizens, all in Ohio

(1) 327 South Main Street, Bryan
(2) 128 West Market, Celina
(3) 810 North Main Street, Celina
(4) 730 East Main Street, Coldwater
(5) 202 North Main Street, Delphos
(6) Jackson and Main Street, Paulding
(7) 166 South Main Street, Rockford
(8) 1210 Celina Road, St. Mary's
(9) 153 East Spring Street, St. Mary's
(10) 11230 State Route 364, St. Mary's
(11) 228 East South Street, St. Mary's

Concurring Statement of Governor Meyer

I believe that the proposed acquisition presents a close case. The Celina/St. Mary's banking market, as measured by the Herfindahl–Hirschman Index ("HHI"), would become highly concentrated; and, under the Department of Justice merger guidelines, the amount of change in market concentration raises concerns about the potential competitive effects of this proposal.

A divestiture of one office in the market would have substantially reduced the change in the HHI and the market would have remained moderately concentrated after consummation under the DOJ guidelines. Such a divestiture would have substantively improved the competitive considerations for this proposal, and a future application that presents such a large change in the HHI in a more highly concentrated post-acquisition banking market or where there are fewer remaining competitors, may well require a divestiture.

The change in the HHI resulting from this proposal is at the upper limits of an acquisition that should be approved without a divestiture in my view.

September 10, 1997

Orders Issued Under International Banking Act

Housing & Commercial Bank
Seoul, Korea

Order Approving Establishment of a Branch

Housing & Commercial Bank, Seoul, Korea ("Bank"), a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish a state-licensed branch in New York, New York. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York (*The New York Times*, September 30, 1996). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with total assets of approximately $35 billion as of year-end 1996, is the ninth largest bank in Korea. Founded by the Korean government in 1967 to support funding for low- and medium-income housing, Bank now engages in a wide range of commercial banking activities. In addition to its network of more than 400 domestic branches, Bank has six domestic subsidiaries involved in construction, leasing, investment management, loan financing, and real estate management and brokerage. Outside of Korea, Bank operates a branch in Tokyo and seven representative offices. Bank would be a "qualifying foreign banking organization" under Regulation K after establishment of the proposed branch (12 C.F.R. 211.23(b)).

Bank seeks to upgrade its existing representative office in New York to a state-licensed branch that would offer a wide range of wholesale banking services, including acceptance of wholesale deposits, commercial lending, trade finance, and mortgage finance.

In order to approve an application by a foreign bank to establish a branch in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant engages directly in the business of banking outside of the United States and has furnished to the Board the information it needs to assess the application adequately. The Board also generally must determine that the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24(c)(1)(i)).[1] The Board also may take into account

1. Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the foreign bank's worldwide operations, including the relationship of the foreign bank to any affiliate, to assess the overall financial condition of the foreign bank and its compliance

additional standards set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)).

The IBA recently was amended to include a limited exception to the general requirement relating to comprehensive, consolidated supervision (12 U.S.C. § 3105(d)(6)). This exception provides that, if the Board is unable to find that a foreign bank seeking to establish a branch, agency, or commercial lending company is subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country, the Board may nevertheless approve an application by such foreign bank if:

> (i) The appropriate authorities in the home country of the foreign bank are actively working to establish arrangements for the consolidated supervision of such bank; and
>
> (ii) All other factors are consistent with approval (12 U.S.C. § 3105(d)(6)(A)).

In deciding whether to exercise its discretion to approve an application under authority of this exception, the Board shall also consider whether the foreign bank has adopted and implements procedures to combat money laundering (12 U.S.C. § 3105(d)(6)(B)). The Board also may take into account whether the home country of the foreign bank is developing a legal regime to address money laundering or is participating in multilateral efforts to combat money laundering (12 U.S.C. § 3105(d)(6)(B)).

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

With respect to supervision by Bank's home country authorities, the Board has considered the following information. Under the current legislative regime, Bank is chartered under the Korea Housing Bank Act which designates the Ministry of Finance and Economy ("Ministry") as Bank's primary supervisor. The Ministry often delegates its supervisory powers to the Office of Bank Supervision and Examination ("OBSE") of the Bank of Korea, which also has a supervisory role in relation to Bank. In addition, Bank is under the supervision of the Board of Audit and Inspection ("BAI"), an independent agency of the Korean government that examines the records of certain government-invested institutions. The Board previously has determined, in connection with an application involving another specially chartered Korean bank, that this bank was subject to home country supervision on a comprehensive, consolidated basis.[2] Bank is supervised by the Korean authorities on substantially the same terms and conditions as the other Korean bank.[3]

Recently, however, the Korean financial system has experienced difficulties arising primarily from large credit exposures to certain business conglomerates. The Korean authorities have concluded that these difficulties were, at least in part, the result of gaps in the supervisory system, primarily relating to credit assessment and approval processes. The Korean government and supervisory authorities have taken steps to seek to close these gaps by, among other things, setting new limits on exposures to the largest Korean business conglomerates and requiring that Korean banks establish credit committee systems to diversify authority for credit decisions. In addition, the Korean government is considering the proposal of new legislation that would transfer supervisory authority for all Korean financial institutions to a new entity.

With regard to measures to prevent money laundering, although the Korean government has not formally adopted the recommendations of the Financial Action Task Force ("FATF") regarding the prevention and detection of money laundering, certain Korean laws and regulations contain provisions that parallel certain of the FATF recommendations. The Emergency Presidential Order on Real Name Financial Transactions and the Protection of Confidentiality, for example, which became effective in August 1993, requires banks to conduct all financial transactions with

with law and regulation (12 C.F.R. 211.24(c)(1)(ii)). In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

> (i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;
>
> (ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;
>
> (iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;
>
> (iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; and
>
> (v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are *indicia* of comprehensive, consolidated supervision. No single factor is essential and other elements may inform the Board's determination.

2. *Korea Development Bank*, 82 *Federal Reserve Bulletin* 969 (1996) (bank under supervision of Ministry, OBSE, and BAI). The Board also has considered the application of another specially chartered bank that was under the primary supervision of the Ministry, which also delegated its supervisory authority with regard to that bank to the OBSE. However, because it was a privately owned bank, that bank was not supervised by the BAI. *See Korea Long Term Credit Bank*, 82 *Federal Reserve Bulletin* 767 (1996).

3. In brief, Bank is currently required to submit periodic reports and financial statements to the Ministry or the OBSE providing information on, among other things, capital adequacy, credit exposures, adequacy of internal controls, and the operations of subsidiaries and foreign offices. Bank is also subject to examination of head office and branches by both the OBSE and the BAI. The Ministry, the OBSE, and the BAI each have enforcement powers over Bank. In addition, Bank's annual internal audit reports are forwarded to the Korean authorities, and external audits also are conducted of its operations.

Recent legislation in Korea provides that Bank will be treated as a commercial bank and become subject to the supervision of the OBSE. This action is expected by year-end. The Board also has previously determined, in connection with applications involving other Korean banks subject to supervision by the OBSE, that these banks were subject to supervision on a comprehensive, consolidated basis. *See, e.g., Shinhan Bank*, 82 *Federal Reserve Bulletin* 951 (1996); *Donghwa Bank*, 81 *Federal Reserve Bulletin* 744 (1995).

customers on a real-name basis and to confirm customers' identity before engaging in any transactions. In addition, in September 1994, the OBSE issued guidelines ("OBSE Guidelines") which, among other things, prohibit Korean financial institutions from participating in or aiding money laundering. Under the OBSE Guidelines, Korean financial institutions are required to establish internal policies and procedures to prevent money laundering and to review these controls as part of the internal audit.

Bank has implemented policies and procedures to ensure compliance with Korean law and the OBSE Guidelines. Bank's employees are prohibited from conducting any banking transaction without verifying the true identity of the customer. In addition, Bank's branch managers are required to report any breach of the OBSE Guidelines to Bank's auditing department which must report any material breach of the OBSE Guidelines to the OBSE and the BAI. Furthermore, employees with knowledge or suspicion of the use of funds for illicit activities are required to report in writing to a public prosecutor's office.

Based on all the facts of record, the Board has determined that Bank's home country authorities are actively working to establish arrangements for the consolidated supervision of Bank, and that considerations relating to the steps taken by Bank and its home country to combat money laundering are consistent with approval under this standard.

The Board also has taken into account the additional standards set forth in the IBA (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). Bank has received the consent of the Ministry to establish the proposed branch. Managerial and financial considerations are consistent with approval, and Bank appears to have the experience and capacity to support the proposed branch.

Bank must comply with the minimum capital standards of the Basle Capital Accord ("Accord"), as implemented by Korea. Bank's capital is in excess of the minimum levels that would be required by the Accord and is considered equivalent to capital that would be required of a U.S. banking organization.

With regard to access to information, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank has committed to make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act, and other applicable federal law. To the extent that the provision of such information may be prohibited or impeded by law or otherwise, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain information. In addition, subject to certain conditions, the Ministry may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board has concluded that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a state-licensed branch should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal law, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on Bank's compliance with the commitments made in connection with this application and with the conditions in this order.[4] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under applicable law against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective September 17, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Südwestdeutsche Landesbank Girozentrale Stuttgart and Mannheim, Federal Republic of Germany

Order Approving Establishment of a Branch

Südwestdeutsche Landesbank Girozentrale ("Bank"), Stuttgart and Mannheim, Germany, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish a state-licensed branch in New York, New York. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*The New York Times*, October 28, 1996). The time for filing comments has expired, and all comments have been considered.

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

Bank, with assets equivalent to approximately $134 billion, is the 14th largest bank in Germany.[1] The Savings Bank Association of Baden ("BSGV") and the Savings Bank Association of W rttemberg ("WSGV") hold a 15 percent and 33 percent interest in Bank, respectively. The remaining interest in Bank is held by 82 German savings banks.

Bank operates three branches in Germany, two foreign branches (Singapore and London) and four representative offices (New York, Hong Kong, Beijing, and Hanoi). In addition, Bank owns a subsidiary bank in Luxembourg, and operates several nonbank subsidiaries in Germany engaged in various activities, including factoring, investment services, and real estate development and management activities.

Bank's primary purpose for establishing the proposed branch is to provide trade financing, treasury, and advisory services primarily to corporate clients based in the State of Baden-Württemberg with offices in the United States. In addition, the proposed branch would participate in syndicated loans and issue commercial paper and other debt instruments. Bank does not engage directly or indirectly in any nonbanking activities in the United States, and, after establishing the proposed branch, would be a qualifying foreign banking organization within the meaning of Regulation K (12 C.F.R. 211.23(b)).

The Federal Banking Supervisory Office ("FBSO") and the Deutsche Bundesbank, Bank's primary home country supervisors, have indicated no objection to the establishment of Bank's proposed branch.

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

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

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the foreign bank's worldwide operations, including the relationship of the foreign bank to any affiliate, to assess the overall financial condition of the foreign bank and its compliance with law and regulation (12 C.F.R. 211.24(c)(1)).[2]

With respect to supervision by home country authorities, the Board has considered the following information. The FBSO and the Deutsche Bundesbank share responsibility as Bank's home country supervisors. Generally, the FBSO reviews periodic financial reports and information provided by external and internal auditors, has authority to carry out on-site audits, has enforcement powers with regard to bank regulation and supervision, and works closely with the Deutsche Bundesbank in supervising Bank.

The Board has determined, in connection with a previous application,[3] that Bank is subject to comprehensive consolidated supervision. No material changes have occurred in the manner of Bank's supervision since that time that would alter the Board's previous determination.

The Board also has taken into account the additional standards set forth in section 7 of the IBA (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). As noted above, Bank's home country authorities have no objection to establishment of the proposed state-licensed branch.

Germany is a signatory to the Basle risk-based capital standards, and German risk-based capital standards meet those established by the Basle Capital Accord ("Accord"). Bank's capital is in excess of the minimum levels that would be required by the Accord and can be considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered consistent with approval, and Bank appears to have the experience and capacity to support the proposed branch. Bank has established controls and procedures for the proposed branch in order to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

The Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant authorities about access to information. Bank and WSGV have committed to make available to the Board such information on the operations of

1. All data are as of December 31, 1996, unless otherwise noted.

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

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;

(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;

(iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;

(v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are *indicia* of comprehensive, consolidated supervision. No single factor is essential and other elements may inform the Board's determination.

3. *West Merchant Bank Limited,* 81 *Federal Reserve Bulletin* 519 (1995).

Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information is prohibited or impeded by law, Bank and WSGV have committed to cooperate with the Board to obtain any consents or waivers that might be required from third parties in connection with disclosure of such information. In addition, subject to certain conditions, the FBSO and the Deutsche Bundesbank may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank and WSGV, and the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a branch should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of the application also is specifically conditioned on compliance by Bank and WSGV with the commitments made in connection with this application, and with the conditions in this order.[4] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective September 17, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

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

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT
By the Secretary of the Board

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

Section 3

Applicant(s)	Bank(s)	Effective Date
FirstBank Holding Company of Colorado Employee Stock Ownership Plan, Lakewood, Colorado FirstBank Holding Company of Colorado, Lakewood, Colorado	FirstBank of Parker, Parker, Colorado	September 24, 1997

By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Bloomer Bancshares, Inc., Bloomer, Wisconsin	Peoples State Bank, Bloomer, Wisconsin	Minneapolis	September 11, 1997
Buffalo Bancorp, Inc., Buffalo, Texas	Citizens State Bank, Buffalo, Texas	Dallas	September 11, 1997
Buffalo Corp., Dover, Delaware	Citizens State Bank, Buffalo, Texas	Dallas	September 11, 1997
Cabot Bankshares, Inc., Cabot, Arkansas	The Capital Bank, Little Rock, Arkansas	St. Louis	August 14, 1997
Calvin B. Taylor Bankshares, Inc., Berlin, Maryland	Calvin B. Taylor Bank of Delaware, Ocean View, Delaware	Richmond	September 19, 1997
Century Bancorp, MHC, Bridgeton, New Jersey Century Bancorp, Inc., Bridgeton, New Jersey	Century Savings Bank, Bridgeton, New Jersey	Philadelphia	August 22, 1997
Citizens Bancshares of Woodville, Inc., Woodville, Wisconsin	Investors Bancorporation, Inc., Hudson, Wisconsin	Minneapolis	September 4, 1997
Citizens National Corporation, Paintsville, Kentucky	Josephine Bancshares, Prestonsburg, Kentucky The Bank of Josephine, Prestonsburg, Kentucky	Cleveland	September 15, 1997
The Colonial BancGroup, Inc., Montgomery, Alabama	Dadeland Bancshares, Inc., Miami, Florida Dadeland Bank, Miami, Florida	Atlanta	August 27, 1997
Commercial Bancshares, Inc., Texarkana, Arkansas	Citizens State Bank, Hempstead, Texas	St. Louis	August 20, 1997
Community Financial Corp., Olney, Illinois	Egyptian Bancshares, Inc., Carrier Mills, Illinois The Egyptian State Bank, Carrier Mills, Illinois Saline County State Bank, Stonefort, Illinois	St. Louis	August 27, 1997
Community Financial Corp., Olney, Illinois	Mid-America Bank of St. Clair County, O'Fallon, Illinois	St. Louis	September 18, 1997
Dean Financial Services, Inc., St. Paul, Minnesota	The First National Corporation of Aitkin, Inc., Aitkin, Minnesota Mid-Continent Financial Services, Inc., Bloomington, Minnesota The First State Bank of Eden Prairie, Eden Prairie, Minnesota	Minneapolis	September 9, 1997
First State Bancorp of Monticello, Inc. Employee Stock Ownership Plan, Monticello, Illinois	First State Bancorp of Monticello, Inc., Monticello, Illinois	Chicago	September 17, 1997
First State Bancshares, Inc., Ida Grove, Iowa	First State Bank, Ida Grove, Iowa	Chicago	August 27, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
F.N.B. Corporation, Hermitage, Pennsylvania	Indian Rocks State Bank, Largo, Florida	Cleveland	September 5, 1997
FSB Bancorp, MHC, Farmington, Maine FSB Bancorp, Farmington, Maine	Franklin Savings Bank, Farmington, Maine	Boston	September 12, 1997
Gold Banc Corporation, Inc., Leawood, Kansas	Farmers Bancshares of Oberlin, Inc., Oberlin, Kansas	Kansas City	September 5, 1997
Heartland Bancshares, Inc., Franklin, Indiana	Heartland Community Bank, Franklin, Indiana	Chicago	September 17, 1997
International Bancorporation, Golden Valley, Minnesota Anderson Financial Group, Inc., Golden Valley, Minnesota	Northern National Bank, Nisswa, Minnesota	Minneapolis	September 23, 1997
Landmark Bancorp Inc., Margate, Florida	Sunniland Bank, Fort Lauderdale, Florida	Atlanta	September 24, 1997
Maries County Bancorp., Inc., Vienna, Missouri	Progress Bancshares, Inc., Sullivan, Missouri Progress Bank of Sullivan, Sullivan, Missouri	St. Louis	August 27, 1997
MidCity Financial Corporation, Chicago, Illinois	Abrams Centre Bancshares, Inc., Dallas, Texas Abrams Centre National Bank, Dallas, Texas	Chicago	September 3, 1997
Midwest Community Bancshares, Inc., Marion, Illinois	Bank of Marion, Marion, Illinois	St. Louis	September 5, 1997
Murfreesboro Bancorp, Inc., Murfreesboro, Tennessee	Bank of Murfreesboro, Murfreesboro, Tennessee	Atlanta	August 27, 1997
NationsBank Corporation, Charlotte, North Carolina	NationsBank, National Association, Brunswick, Georgia First Federal Savings Bank of Brunswick, Brunswick, Georgia		August 28, 1997
New Broadway, Inc., San Antonio, Texas	Broadway Bancshares, Inc., San Antonio, Texas	Dallas	September 9, 1997
Nichols Bancshares, Inc., Kenedy, Texas J. M. Nichols, Inc., Dover, Delaware	First-Nichols National Bank, Kenedy, Texas	Dallas	September 10, 1997
North Fork Bancorporation, Inc., Melville, New York	Branford Savings Bank, Branford, Connecticut	New York	September 25, 1997
Norwest Corporation, Minneapolis, Minnesota	First Valley Bank Group, Inc., Los Fresnos, Texas	Minneapolis	September 5, 1997
Norwest Corporation, Minneapolis, Minnesota	Packers Management Company, Inc., Omaha, Nebraska	Minneapolis	September 5, 1997
O.A.K. Financial Corporation, Byron Center, Michigan	Caledonia Financial Corporation, Caledonia, Michigan State Bank of Caledonia, Caledonia, Michigan	Chicago	August 21, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Pathfinder Bancorp, MHC, Oswego, New York Pathfinder Bancorp, Oswego, New York	Oswego City Savings Bank, Oswego, New York	New York	August 29, 1997
Peoples Financial Corp., Inc., Ford City, Pennsylvania	Elderton State Bank, Elderton, Pennsylvania	Cleveland	September 18, 1997
Premier Financial Bancorp, Inc., Georgetown, Kentucky	The Sabina Bank, Sabina, Ohio	Cleveland	September 17, 1997
Rockdale National Bancshares, Inc., Conyers, Georgia	Rockdale National Bank, Conyers, Georgia	Atlanta	September 19, 1997
Saehan Bancorp, Los Angeles, California	Saehan Bank, Los Angeles, California	San Francisco	September 24, 1997
Santander Holding Internacional, S.A., Madrid, Spain Santusa Holding, S.L., Madrid, Spain	Banco Santander Puerto Rico, Hato Rey, Puerto Rico	New York	September 15, 1997
Union Bancshares, Inc., Fargo, North Dakota	Union State Bank of Fargo, Fargo, North Dakota	Minneapolis	September 18, 1997
Union Planters Corporation, Memphis, Tennessee	First Acadian Bancshares, Inc., Thibodaux, Louisiana Acadian Bank, Thibodaux, Louisiana	St. Louis	August 22, 1997
Valley National Corporation, Lanett, Alabama	Valley National Bank of Lanett, Lanett, Alabama	Atlanta	September 10, 1997
Western Bancshares, Albuquerque, New Mexico ESOP & Trust, Albuquerque, New Mexico	Western Bancshares of Albuquerque, Albuquerque, New Mexico Western Bank, Albuquerque, New Mexico	Kansas City	August 26, 1997

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Banc One Corporation, Columbus, Ohio Banc One Capital Corporation, Columbus, Ohio	Fitzgerald, Davis & Associates, L.P., Chicago, Illinois	Cleveland	September 12, 1997
Bank of Granite Corporation, Granite Falls, North Carolina	GLL & Associates, Inc., Winston-Salem, North Carolina	Richmond	September 22, 1997
Bank of Montreal, Montreal, Canada Bankmont Financial Corp., Chicago, Illinois Harris Bankcorp, Inc., Chicago, Illinois Harris Bankmont, Inc., Chicago, Illinois Harris Trust and Savings Bank, Chicago, Illinois	Cash Station, Inc., Chicago, Illinois	Chicago	September 3, 1997
Carolina First Corporation, Greenville, South Carolina	First Southeast Financial Corporation, Anderson, South Carolina	Richmond,	September 19, 1997

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
CB&T, Inc., McMinnville, Tennessee	CBT Insurance, Inc., Smithville, Tennessee	Atlanta	August 27, 1997
The Colonial BancGroup, Inc., Montgomery, Alabama	Dadeland Software Services, Inc., Miami, Florida	Atlanta	August 27, 1997
Community Holding Company, Inez, Kentucky	Inez Deposit Bank, FSB, Louisa, Kentucky	Cleveland	September 12, 1997
CPB Inc., Honolulu, Hawaii	Trans-Pacific Mortgage Group LLC, Honolulu, Hawaii	San Francisco	September 16, 1997
Crestar Financial Corporation, Richmond, Virginia	American National Bancorp, Inc., Baltimore, Maryland	Richmond	August 22, 1997
Emprise Financial Corporation, Wichita, Kansas	Mid Continent Bancshares, Inc., El Dorado, Kansas Mid Continent Federal Savings Bank, El Dorado, Kansas	Kansas City	September 9, 1997
Firstbank of Illinois Co., Springfield, Illinois	Geneva Capital Corp., Springfield, Illinois	Chicago	August 29, 1997
Hardin County Bancshares, Inc., Savannah, Tennessee	Majors Insurance Agency, Inc., Adamsville, Tennessee	St. Louis	August 29, 1997
Norwest Corporation, Minneapolis, Minnesota	Integrion Financial Network, LLC, Atlanta, Georgia VISA Interactive, Inc., Foster City, California	Minneapolis	August 21, 1997
Norwest Corporation, Minneapolis, Minnesota	International Bancorporation, Golden Valley, Minnesota	Minneapolis	September 17, 1997
NSB Holding Corp., Staten Island, New York	Check Depot, Stanten Island, New York	New York	August 29, 1997
Pioneer Bankcorp, Inc., Clewiston, Florida	Development Investments, Inc., Clewiston, Florida	Atlanta	September 4, 1997
Preferred Bancshares, Inc., Big Lake, Minnesota	Preferred Lenders, LLC, Big Lake, Minnesota	Minneapolis	September 10, 1997
Prestige Financial Corporation, Flemington, New Jersey	PFC Financial Services, Inc., Flemington, New Jersey	New York	September 19, 1997
Regions Financial Corporation, Birmingham, Alabama	Griffin Federal Savings Bank, Griffin, Georgia	Atlanta	September 18, 1997
Union Planters Corporation, Memphis, Tennessee	Sho-Me Financial Corporation, Mount Vernon, Missouri 1st Savings Bank, f.s.b., Mount Vernon, Missouri	St. Louis	September 12, 1997
UST Corp., Boston, Massachusetts	Firestone Financial Corp., Newton, Massachusetts	Boston	September 12, 1997

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
1867 Western Financial Corporation, Stockton, California	Capital Corp of the West, Merced, California Town and Country Finance and Thrift Company, Turlock, California Capital West Group, Inc., Merced, California	San Francisco	September 18, 1997

Sections 3 and 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
ALBANK Financial Corporation, Albany, New York	ALBANK Commercial, Albany, New York ALBANK, FSB, Albany, New York	New York	September 17, 1997
First Financial Caribbean Corporation, San Juan, Puerto Rico	Doral Federal Savings Bank, San Juan, Puerto Rico Doral Mortgage Corporation, Hato Rey, Puerto Rico	New York	August 26, 1997

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
The Citizens Commercial Bank & Trust Company, Celina, Ohio	Van Wert National Bank, Van Wert, Ohio	Cleveland	August 22, 1997
Crestar Bank, Richmond, Virginia	American National Savings Bank, F.S.B., Baltimore, Maryland	Richmond,	September 8, 1997
F&M Bank-Fennimore, Fennimore, Wisconsin	F&M Bank-Potosi, Potosi, Wisconsin F&M Bank-Lancaster, Lancaster, Wisconsin	Chicago	September 3, 1997
F&M Bank-Portage County, Stevens Point, Wisconsin	Security Bank, S.S.B., Milwaukee, Wisconsin	Chicago	September 11, 1997
First Bank of Hennessey, Hennessey, Oklahoma	The Peoples National Bank of Kingfisher, Kingfisher, Oklahoma	Kansas City	August 28, 1997
First Community Bank, Inc., Buckhannon, West Virginia	The Huntington National Bank, Columbus, Ohio	Richmond	September 4, 1997
First Sterling Bank, Devon, Pennsylvania	Prime Bank, Philadelphia, Pennsylvania	Philadelphia	September 17, 1997
First Virginia Bank-Clinch Valley, Richlands, Virginia	Premier Bank, National Association, Tazewell, Virginia	Richmond	September 23, 1997
First Virginia Bank-Mountain Empire, Damascus, Virginia	Premier Bank-Central, N.A., Honaker, Virginia	Richmond	September 23, 1997
Johnstown Bank and Trust Company, Johnstown, Pennsylvania	Laurel Bank, Ebensburg, Pennsylvania Fayette Bank, Uniontown, Pennsylvania	Philadelphia	September 17, 1997
Le Sueur State Bank, Le Sueur, Minnesota	TCF National Bank Minnesota, Minneapolis, Minnesota	Minneapolis	August 28, 1997
Mercantile Bank, Overland Park, Kansas	Roosevelt Bank, Chesterfield, Missouri	Kansas City	September 11, 1997

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

Artis v. Greenspan, No. 97–5234 (D.C. Cir., filed September 19, 1997). Appeal of district court order dismissing employment discrimination action.

Artis v. Greenspan, No. 97–5235 (D.C. Cir., filed September 19, 1997). Appeal of district court order dismissing class complaint alleging race discrimination in employment.

Branch v. Board of Governors, No. 97–5229 (D.C. Cir., filed September 12, 1997). Appeal of district court order denying motion to compel production of pre-decisional supervisory documents and testimony sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation.

Clarkson v. Greenspan, No. 97-CV-2035 (D.D.C., filed September 5, 1997). Freedom of Information Act case.

Banking Consultants of America v. Board of Governors, No. 97–2791 (W.D. Tenn., filed September 2, 1997). Action to enjoin investigation by the Board, the Office of the Comptroller of the Currency, and the Department of Labor.

Bettersworth v. Board of Governors, No. 97-CA-624 (W.D. Tex., filed August 21, 1997). Privacy Act case.

Eliopulos v. Board of Governors, No. 97–1442 (D.C. Cir., filed July 17, 1997). Petition for review of a Board order dated June 23, 1997, approving the application of First Bank System, Inc., Minneapolis, Minnesota, to acquire U.S. Bancorp, Portland, Oregon, and thereby acquire U.S. Bancorp's banking and nonbanking subsidiaries. On September 12, 1997, the Board filed a motion to dismiss the petition.

Greeff v. Board of Governors, No. 97–1976 (4th Cir., filed June 17, 1997). Petition for review of a Board order dated May 19, 1997, approving the application of by Allied Irish Banks, plc, Dublin, Ireland, and First Maryland Bancorp, Baltimore, Maryland, to acquire Dauphin Deposit Corporation, Harrisburg, Pennsylvania, and thereby acquire Dauphin's banking and nonbanking subsidiaries.

Inner City Press/Community on the Move v. Board of Governors, No. 97-1394 (D.C. Cir., filed June 12, 1997). Petition to review a Board order dated May 14, 1997, approving the application of Banc One Corporation, Inc., Columbus, Ohio, to merge with First USA, Inc., Dallas, Texas. On June 16, 1997, petitioners moved for a stay pending appeal. The motion was denied on June 27, 1997. On August 11, 1997, the Board filed a motion to dismiss the petition.

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

Wilkins v. Board of Governors, No. 3:97CV331 (E.D. Va., filed May 2, 1997). Customer dispute with bank. On August 15, 1997, the court granted the Board's motion to dismiss the action. On September 12, 1997, plaintiff filed a notice of appeal.

Pharaon v. Board of Governors, No. 97–1114 (D.C. Cir., filed February 28, 1997). Petition for review of a Board order dated January 31, 1997, imposing civil money penalties and an order of prohibition for violations of the Bank Holding Company Act. Oral argument is scheduled for December 8, 1997. Research Triangle Institute v. Board of Governors, No. 97–1282 (4th Cir., filed February 24, 1997). Appeal of district court's dismissal of contract claim. Oral argument is scheduled for October 30, 1997. Jones v. Board of Governors, No. CV97–0198 (W.D. Louisiana, filed January 30, 1997). Complaint alleging violations of the Fair Housing Act.

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

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

Leuthe v. Board of Governors, No. 96–5725 (E.D. Pa., filed August 16, 1996). Action against the Board and other Federal banking agencies challenging the constitutionality of the Office of Financial Institution Adjudication. On September 10, 1997, the court granted the agencies' motion to dismiss the action.

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

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

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

FINAL ENFORCEMENT ORDERS ISSUED BY THE BOARD OF GOVERNORS

Skandinaviska Enskilda Banken
Stockholm, Sweden

The Federal Reserve Board announced on September 17, 1997, the joint issuance with the New York State Banking Department of a Consent Order against Skandinaviska Enskilda Banken, Stockholm, Sweden, a foreign bank, and Skandinaviska Enskilda Banken's New York branch and New York State-chartered Article XII corporation. The Board also issued an Order of Assessment of a Civil Money Penalty of $2.5 million against the bank and its New York branch and Article XII corporation.

Financial and Business Statistics

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

GENERAL INFORMATION

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury.

"State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Apr.	1997 May	1997 June	1997 July[r]	1997 Aug.
Reserves of depository institutions[2]									
1 Total	−16.4	−17.2	−8.3	−14.3	−21.9	−9.7	1.5	−5.7	13.5
2 Required	−16.5	−18.5	−8.4	−15.0	−18.6	−15.8	.5	−3.8	12.6
3 Nonborrowed	−17.6	−16.2	−7.2	−16.0	−24.5	−9.3	−1.6	−6.8	8.8
4 Monetary base[3]	5.3	5.1	5.6	3.3	1.6	3.6	4.7	7.3	5.9
Concepts of money, liquid assets, and debt[4]									
5 M1	−6.5	−7.3	−.7	−5.5	−11.4[r]	−2.7	.5[r]	−1.2	8.4
6 M2	3.4	5.1	6.1	4.3	6.1	−.2[r]	4.6	3.6	11.0
7 M3	5.5	8.2	8.2	7.1	9.6[r]	2.0	5.4[r]	10.9	12.7
8 L	6.5	7.2	6.9[r]	7.8[r]	10.6[r]	3.5[r]	4.7[r]	7.1	n.a.
9 Debt	5.1[r]	4.7[r]	4.3[r]	4.6[r]	5.7[r]	3.6[r]	2.1[r]	4.4	n.a.
Nontransaction components									
10 In M2[5]	7.7	10.3	8.7	8.1	12.7	.8[r]	6.2	5.5	12.0
11 In M3 only[6]	13.4	19.6	15.5[r]	16.7[r]	21.5[r]	9.4[r]	8.0[r]	35.0	18.1
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	12.0	17.0	14.0	10.7	17.6	−3.2	5.7	6.7	14.2
13 Small time[7]	3.7	4.7	2.9	5.9	5.6	6.2	11.6	12.4	3.3
14 Large time[8,9]	19.1	22.9	12.8	23.3[r]	35.1[r]	4.6	23.1[r]	45.6	18.5
Thrift institutions									
15 Savings, including MMDAs	.2	.8	2.7	5.8	9.7	7.7	.0	−2.6	.6
16 Small time[7]	−.3	3.0	.1	−3.1	−4.1	3.4	−4.1	−13.3	−1.7
17 Large time[8]	9.0	9.1	12.8	5.1	7.3	−1.5	11.7	21.6	4.3
Money market mutual funds									
18 Retail	16.3	17.2	16.3	14.7	24.5	−4.2	12.1	12.6	33.2
19 Institution-only	20.7	19.8	15.5	12.5	−.8	.0	28.1	19.6	18.9
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	−4.0	3.0	8.5	3.9[r]	16.2	3.6	−23.7[r]	56.2	17.3
21 Eurodollars[10]	9.7	48.2	40.2[r]	33.4[r]	48.3[r]	65.4[r]	−42.2[r]	11.2	24.9
Debt components[4]									
22 Federal	3.9[r]	3.4[r]	1.8	.4[r]	2.1[r]	−4.2[r]	−4.2[r]	1.0	n.a.
23 Nonfederal	5.6[r]	5.2[r]	5.1[r]	6.1[r]	7.0[r]	6.3[r]	4.3[r]	5.6	n.a.

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

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

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

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

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more), (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.

7. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

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

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1997			1997						
	June	July	Aug.	July 16	July 23	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	449,169	448,800	449,743	450,680	446,383	447,439	447,580	449,586	449,017	450,750
U.S. government securities[2]										
2 Bought outright—System account[3]	407,635	410,681	409,254	411,118	410,818	409,823	408,573	410,183	408,976	408,991
3 Held under repurchase agreements	7,801	3,618	6,571	5,039	1,713	3,315	5,059	4,795	5,774	8,692
Federal agency obligations										
4 Bought outright	1,563	1,220	1,035	1,222	1,209	1,209	1,069	1,039	1,030	1,030
5 Held under repurchase agreements	862	814	1,333	1,096	163	350	538	809	1,981	1,369
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	94	105	205	10	27	216	102	8	704	74
8 Seasonal credit	243	330	387	303	347	378	376	365	385	407
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	474	497	398	197	566	127	455	617	430	278
11 Other Federal Reserve assets	30,497	31,534	30,559	31,694	31,540	32,021	31,408	31,770	29,736	29,909
12 Gold stock	11,050	11,050	11,051	11,049	11,049	11,050	11,051	11,051	11,051	11,051
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,311	25,369	25,431	25,363	25,377	25,391	25,405	25,419	25,433	25,447
ABSORBING RESERVE FUNDS										
15 Currency in circulation	451,823	456,114	456,739	456,881	455,217	454,417	455,403	456,691	456,663	456,478
16 Treasury cash holdings	343	336	296	345	334	321	310	305	301	283
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	8,848	4,750	4,855	4,919	5,212	4,877	5,196	4,965	4,444	4,866
18 Foreign	182	175	201	190	168	172	189	170	226	197
19 Service-related balances and adjustments	7,185	7,309	7,073	7,251	7,293	7,361	7,135	7,090	7,005	7,080
20 Other	366	319	357	321	311	316	350	352	372	365
21 Other Federal Reserve liabilities and capital	15,497	15,354	15,437	15,359	15,343	15,670	14,818	15,063	15,455	15,952
22 Reserve balances with Federal Reserve Banks[4]	10,487	10,063	10,466	11,026	8,130	9,947	9,835	10,620	10,235	11,226
	End-of-month figures			Wednesday figures						
	June	July	Aug.	July 16	July 23	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	463,676	448,944[r]	453,815	450,131	446,018	453,652	449,131	457,796	451,262	459,555
U.S. government securities[2]										
2 Bought outright—System account[3]	410,914	407,839	409,409	411,733	409,877	408,992	411,153	411,365	408,893	408,873
3 Held under repurchase agreements	15,456	6,326	10,547	4,840	1,650	8,927	3,751	10,943	4,750	16,113
Federal agency obligations										
4 Bought outright	1,496	1,209	1,030	1,209	1,209	1,209	1,045	1,030	1,030	1,030
5 Held under repurchase agreements	1,117	743	2,622	500	190	975	218	2,005	1,681	2,350
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	1,587	14	55	4	1	1,286	43	0	4,863	26
8 Seasonal credit	307	398	412	328	365	392	371	375	399	412
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	461	957[r]	−85	128	948	−585	1,082	−174	244	276
11 Other Federal Reserve assets	32,338	31,459	29,824	31,388	31,778	32,456	31,468	32,251	29,401	30,475
12 Gold stock	11,050	11,051	11,050	11,049	11,050	11,051	11,051	11,051	11,051	11,051
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,335	25,405	25,461	25,363	25,377	25,391	25,405	25,419	25,433	25,447
ABSORBING RESERVE FUNDS										
15 Currency in circulation	453,624	455,103	459,526	456,880	455,703	455,465	457,063	457,600	457,170	458,387
16 Treasury cash holdings	343	311	278	336	323	311	305	304	284	278
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	16,368	5,014	4,700	6,562	4,942	5,153	5,947	4,678	4,863	5,200
18 Foreign	178	175	169	265	163	170	187	191	512	162
19 Service-related balances and adjustments	7,559	7,135[r]	7,057	7,251	7,293	7,361	7,135	7,090	7,005	7,080
20 Other	321	325	327	317	308	316	349	359	363	375
21 Other Federal Reserve liabilities and capital	15,517	14,785	16,144	15,167	15,138	15,540	14,732	15,299	15,365	15,816
22 Reserve balances with Federal Reserve Banks[4]	15,350	11,753[r]	11,326	8,965	7,777	14,979	9,070	17,945	11,385	17,955

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.
4. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1994	1995	1996	1997						
	Dec.	Dec.	Dec	Feb.	Mar	Apr.	May	June	July[r]	Aug.
1 Reserve balances with Reserve Banks[2]	24,658	20,440	13,395	11,455	11,515	12,308	10,916	10,291	9,851	10,491
2 Total vault cash[3]	40,378	42,094	44,426	43,375	42,116	41,381	41,111	42,398	43,129	42,363
3 Applied vault cash[4]	36,682	37,460	37,848	36,588	36,029	35,571	35,081	36,319	36,529	36,153
4 Surplus vault cash[5]	3,696	4,634	6,578	6,788	6,087	5,810	6,030	6,079	6,600	6,210
5 Total reserves[6]	61,340	57,900	51,243	48,043	47,543	47,879	45,997	46,610	46,380	46,644
6 Required reserves	60,172	56,622	49,819	47,012	46,383	46,869	44,757	45,330	45,179	45,392
7 Excess reserve balances at Reserve Banks[7]	1,168	1,278	1,424	1,031	1,160	1,010	1,240	1,280	1,201	1,253
8 Total borrowings at Reserve Banks[8]	209	257	155	42	156	261	243	367	409	598
9 Seasonal borrowings	100	40	68	21	37	88	173	243	330	385
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1997									
	May 7	May 21	June 4	June 18	July 2	July 16	July 30	Aug. 13[r]	Aug. 27	Sept. 10
1 Reserve balances with Reserve Banks[2]	11,493	10,547	11,030	9,782	10,639	10,560	9,003[r]	10,226	10,754	10,435
2 Total vault cash[3]	41,838	40,879	40,929	43,447	41,664	42,756	43,703	43,250	41,480	42,573
3 Applied vault cash[4]	35,551	34,780	35,176	36,911	36,009	36,565	36,559	36,650	35,596	36,488
4 Surplus vault cash[5]	6,288	6,099	5,753	6,536	5,655	6,191	7,144	6,600	5,884	6,085
5 Total reserves[6]	47,043	45,326	46,205	46,693	46,648	47,125	45,562[r]	46,876	46,350	46,923
6 Required reserves	45,619	44,280	44,821	45,417	45,398	45,739	44,561	45,562	45,153	45,679
7 Excess reserve balances at Reserve Banks[7]	1,424	1,046	1,384	1,276	1,250	1,386	1,001[r]	1,314	1,197	1,244
8 Total borrowings at Reserve Banks[8]	219	189	336	222	547	314	484	426	785	503
9 Seasonal borrowings	127	169	210	205	300	299	363	371	396	392
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.14 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 10/3/97	Effective date	Previous rate	On 10/3/97	Effective date	Previous rate	On 10/3/97	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.55	9/25/97	5.60	6.05	9/25/97	6.10
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.55	9/25/97	5.60	6.05	9/25/97	6.10

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
1996—Jan. 31	5.00–5.25	5.00
Feb. 5	5.00	5.00
In effect Oct. 3, 1997	5.00	5.00

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$49.3 million[3]	3	1/2/97
2 More than $49.3 million[4]	10	1/2/97
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month (of which no more than three may be by check, draft, debit card, or similar order payable directly to third parties) are savings deposits, not transaction accounts.

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective with the reserve maintenance period beginning January 2, 1997, for depository institutions that report weekly, and with the period beginning January 16, 1997, for institutions that report quarterly, the amount was decreased from $52.0 million to $49.3 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning January 2, 1997, for depository institutions that report weekly, and with the period beginning January 16, 1997, for institutions that report quarterly, the exemption was raised from $4.3 million to $4.4 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1994	1995	1996	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.	1997 May	1997 June	1997 July
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,484	10,932	9,901	0	0	0	4,006	0	596	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	380,327	405,296	426,928	40,346	33,997	31,720	33,160	47,456	33,022	41,643
4 For new bills	380,327	405,296	426,928	40,346	33,647	31,720	33,160	47,456	33,022	41,643
5 Redemptions	0	900	0	0	0	0	0	0	0	0
Others within one year										
6 Gross purchases	733	390	524	0	818	0	0	383	494	0
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	0	43,574	30,512	2,481	5,086	3,143	2,006	5,666	1,476	4,359
9 Exchanges	−31,949	−35,407	−41,394	−550	−2,864	−1,534	−2,100	−4,229	−2,250	−1,087
10 Redemptions	2,337	1,776	2,015	607	0	0	376	0	0	598
One to five years										
11 Gross purchases	9,916	5,366	3,898	0	1,125	2,861	1,924	1,102	2,797	0
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−6,004	−34,646	−25,022	−2,481	−4,926	−3,143	−2,006	−4,685	−1,476	−4,359
14 Exchanges	26,458	26,387	31,459	550	1,874	1,534	1,700	2,479	2,250	1,087
Five to ten years										
15 Gross purchases	3,575	1,432	1,116	0	0	0	0	734	499	0
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−3,145	−3,093	−5,469	0	1,236	0	0	−981	0	0
18 Exchanges	4,717	7,220	6,666	0	890	0	400	1,750	0	0
More than ten years										
19 Gross purchases	3,606	2,529	1,655	0	0	1,117	0	988	906	0
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−918	−2,253	−20	0	−1,396	0	0	0	0	0
22 Exchanges	775	1,800	3,270	0	450	0	0	0	0	0
All maturities										
23 Gross purchases	35,314	20,649	17,094	0	1,943	3,978	5,930	3,206	5,292	0
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	2,337	2,676	2,015	607	0	0	376	0	0	598
Matched transactions										
26 Gross purchases	1,700,836	2,197,736	3,092,399	285,667	250,867	288,373	303,056	287,229	293,506	307,101
27 Gross sales	1,701,309	2,202,030	3,094,769	283,240	254,741	288,073	301,177	287,826	293,008	309,578
Repurchase agreements										
28 Gross purchases	309,276	331,694	457,568	74,422	48,805	60,425	102,578	46,552	60,286	44,503
29 Gross sales	311,898	328,497	450,359	86,673	45,747	60,718	62,685	89,477	47,070	53,217
30 Net change in U.S. Treasury securities	29,882	16,875	19,919	−10,430	1,127	3,984	47,326	−40,316	19,006	−11,789
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	0	0	0	0	0	0	0	0	0
33 Redemptions	942	1,003	409	187	27	17	24	0	474	287
Repurchase agreements										
34 Gross purchases	52,696	36,851	75,354	17,668	9,795	14,300	10,178	7,954	9,228	9,262
35 Gross sales	52,696	36,776	74,842	17,995	9,454	14,830	10,285	7,096	9,131	10,811
36 Net change in federal agency obligations	−942	−928	103	−514	314	−547	−131	858	−377	−1,836
37 Total net change in System Open Market Account	**28,940**	**15,948**	**20,021**	**−10,944**	**1,441**	**3,437**	**47,195**	**−39,458**	**18,629**	**−13,625**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

2. Transactions exclude changes in compensation for the effects of inflation on the principal of inflation-indexed securities.

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

Millions of dollars

Account	Wednesday					End of month		
	1997					1997		
	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27	June 30	July 31	Aug. 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,051	11,051	11,051	11,051	11,051	11,050	11,051	11,050
2 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
3 Coin	477	480	493	500	492	492	484	485
Loans								
4 To depository institutions	1,679	414	375	5,262	438	1,894	411	468
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	1,209	1,045	1,030	1,030	1,030	1,496	1,209	1,030
8 Held under repurchase agreements	975	218	2,005	1,681	2,350	1,117	743	2,622
9 **Total U.S. Treasury securities**	**417,919**	**414,904**	**422,308**	**413,643**	**424,986**	**426,370**	**414,165**	**419,956**
10 Bought outright[2]	408,992	411,153	411,365	408,893	408,873	410,914	407,839	409,409
11 Bills	194,207	196,367	196,579	194,107	194,086	195,531	193,053	194,623
12 Notes	160,524	160,524	160,525	159,795	159,795	161,122	160,524	159,795
13 Bonds	54,261	54,261	54,261	54,991	54,991	54,261	54,261	54,991
14 Held under repurchase agreements	8,927	3,751	10,943	4,750	16,113	15,456	6,326	10,547
15 **Total loans and securities**	**421,782**	**416,581**	**425,719**	**421,616**	**428,804**	**430,878**	**416,529**	**424,076**
16 Items in process of collection	5,733	7,854	6,051	6,374	6,543	2,400	4,833	4,252
17 Bank premises	1,258	1,260	1,262	1,266	1,266	1,251	1,257	1,265
Other assets								
18 Denominated in foreign currencies[3]	17,999	17,209	17,216	17,222	17,229	17,970	17,204	17,320
19 All other[4]	13,074	13,031	13,852	10,975	11,946	13,295	12,976	11,302
20 **Total assets**	**480,574**	**476,666**	**484,842**	**478,204**	**486,529**	**486,536**	**473,534**	**478,950**
LIABILITIES								
21 Federal Reserve notes	430,862	432,442	432,978	432,521	433,709	429,124	430,492	434,827
22 **Total deposits**	**28,624**	**22,878**	**30,734**	**24,538**	**30,903**	**40,087**	**23,646**	**23,693**
23 Depository institutions	22,984	16,395	25,506	18,800	25,169	23,219	18,132	18,497
24 U.S. Treasury—General account	5,153	5,947	4,678	4,863	5,200	16,368	5,014	4,700
25 Foreign—Official accounts	170	187	191	512	162	178	175	169
26 Other	316	349	359	363	375	321	325	327
27 Deferred credit items	5,549	6,615	5,832	5,781	6,101	1,808	4,611	4,286
28 Other liabilities and accrued dividends[5]	4,929	4,728	4,786	4,639	5,037	5,029	4,919	5,005
29 **Total liabilities**	**469,963**	**466,662**	**474,330**	**467,478**	**475,750**	**476,048**	**463,667**	**467,811**
CAPITAL ACCOUNTS								
30 Capital paid in	5,087	5,103	5,138	5,140	5,150	5,050	5,087	5,150
31 Surplus	4,496	4,415	4,496	4,496	4,496	4,496	4,317	4,496
32 Other capital accounts	1,028	485	879	1,090	1,133	943	462	1,493
33 **Total liabilities and capital accounts**	**480,574**	**476,666**	**484,842**	**478,204**	**486,529**	**486,536**	**473,534**	**478,950**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	631,119	631,975	636,115	645,170	643,568	632,925	634,814	642,699
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	541,296	542,206	542,935	544,126	544,930	542,199	541,783	546,295
36 LESS: Held by Federal Reserve Banks	110,434	109,764	109,957	111,606	111,221	113,075	111,291	111,467
37 Federal Reserve notes, net	430,862	432,442	432,978	432,521	433,709	429,124	430,492	434,827
Collateral held against notes, net								
38 Gold certificate account	11,051	11,051	11,051	11,051	11,051	11,050	11,051	11,050
39 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	410,611	412,191	412,727	412,270	413,458	408,874	410,241	414,577
42 **Total collateral**	**430,862**	**432,442**	**432,978**	**432,521**	**433,709**	**429,124**	**430,492**	**434,827**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. Excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1997					1997		
	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27	June 30	July 31	Aug. 31
1 **Total loans**	**1,677**	**414**	**375**	**5,262**	**438**	**1,894**	**412**	**468**
2 Within fifteen days[1]	1,610	130	90	5,198	417	1,726	193	294
3 Sixteen days to ninety days	73	285	285	64	21	169	218	174
4 **Total U.S. Treasury securities**[2]	**417,919**	**414,904**	**422,308**	**413,643**	**424,986**	**426,370**	**414,165**	**419,956**
5 Within fifteen days[1]	16,820	21,622	28,411	19,642	25,050	23,839	9,419	12,146
6 Sixteen days to ninety days	92,691	84,589	84,139	91,107	90,752	94,494	88,758	91,288
7 Ninety-one days to one year	131,377	132,492	133,557	129,881	136,171	129,694	139,787	143,510
8 One year to five years	94,004	93,174	93,174	90,614	90,614	95,315	93,174	90,614
9 Five years to ten years	39,017	39,016	39,016	37,657	37,657	39,016	39,016	37,657
10 More than ten years	44,011	44,011	44,011	44,741	44,741	44,011	44,011	44,741
11 **Total federal agency obligations**	**2,961**	**1,263**	**3,035**	**2,711**	**3,380**	**2,613**	**2,130**	**3,757**
12 Within fifteen days[1]	1,154	233	2,005	1,752	2,455	1,392	922	2,727
13 Sixteen days to ninety days	185	211	211	141	106	281	185	106
14 Ninety-one days to one year	130	104	154	154	154	210	130	154
15 One year to five years	401	401	351	351	351	416	401	351
16 Five years to ten years	290	290	290	290	290	290	290	290
17 More than ten years	25	25	25	25	25	25	25	25

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

2. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.

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

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec.	1995 Dec	1996 Dec	1997 Jan.	Feb	Mar.	Apr.	May	June	July	Aug.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	60.55	59.40	56.39	50.06	49.52	49.01	48.31	47.43	47.05	47.11	46.89	47.41
2 Nonborrowed reserves[4]	60.46	59.20	56.13	49.91	49.47	48.97	48.16	47.17	46.81	46.74	46.48	46.82
3 Nonborrowed reserves plus extended credit[5]	60.46	59.20	56.13	49.91	49.47	48.97	48.16	47.17	46.81	46.74	46.48	46.82
4 Required reserves	59.48	58.24	55.11	48.64	48.29	47.98	47.15	46.42	45.81	45.83	45.68	46.16
5 Monetary base[6]	386.88	418.48	434.52	452.67	454.14	456.28	457.62	458.24	459.60	461.40	464.22[r]	466.50
	Not seasonally adjusted											
6 Total reserves[7]	62.37	61.13	58.02	51.52	50.67	48.12	47.69	48.09	46.26	46.93	46.76	47.08
7 Nonborrowed reserves	62.29	60.92	57.76	51.37	50.62	48.08	47.53	47.83	46.02	46.56	46.35	46.49
8 Nonborrowed reserves plus extended credit[5]	62.29	60.92	57.76	51.37	50.62	48.08	47.53	47.83	46.02	46.56	46.35	46.49
9 Required reserves[8]	61.31	59.96	56.74	50.10	49.44	47.09	46.53	47.08	45.02	45.65	45.56	45.83
10 Monetary base[9]	390.59	422.51	439.03	456.72	455.55	452.56	455.26	458.17	458.29	461.81	465.56	467.29
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	62.86	61.34	57.90	51.24	50.64	48.04	47.54	47.88	46.00	46.61	46.38	46.64
12 Nonborrowed reserves	62.78	61.13	57.64	51.09	50.60	48.00	47.39	47.62	45.75	46.24	45.97	46.05
13 Nonborrowed reserves plus extended credit[5]	62.78	61.13	57.64	51.09	50.60	48.00	47.39	47.62	45.75	46.24	45.97	46.05
14 Required reserves	61.80	60.17	56.62	49.82	49.42	47.01	46.38	46.87	44.76	45.33	45.18	45.39
15 Monetary base[12]	397.62	427.25	444.45	463.49	462.71	459.64	462.22	465.06	465.22	468.78	472.59	474.05
16 Excess reserves[13]	1.06	1.17	1.28	1.42	1.22	1.03	1.16	1.01	1.24	1.28	1.20	1.25
17 Borrowings from the Federal Reserve	08	.21	.26	.16	.05	.04	.16	.26	24	.37	.41	60

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10.)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

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

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

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

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997 May	1997 June	1997 July	1997 Aug.
	Seasonally adjusted							
Measures[2]								
1 M1	1,129.8	1,150.7	1,129.0	1,081.1[r]	1,062.8[r]	1,063.2	1,062.1[r]	1,069.5
2 M2	3,486.6	3,502.1	3,655.0	3,834.5[r]	3,904.7	3,919.8	3,931.7[r]	3,967.9
3 M3	4,254.4	4,327.3	4,592.5	4,933.2[r]	5,076.3[r]	5,099.2[r]	5,145.5[r]	5,200.0
4 L	5,167.8	5,308.4	5,697.6	6,098.8[r]	6,280.3[r]	6,305.0[r]	6,342.2	n.a.
5 Debt	12,457.3[r]	13,072.1[r]	13,768.1[r]	14,485.7[r]	14,759.6[r]	14,785.9[r]	14,840.0	n.a.
M1 components								
6 Currency[3]	322.2	354.4	372.6	395.2	406.1	407.7	410.3	412.2
7 Travelers checks[4]	7.9	8.5	8.9	8.6	8.2	8.0	8.2	8.3
8 Demand deposits[5]	385.2	384.1	391.1	402.6[r]	395.7[r]	397.3	396.4	401.7
9 Other checkable deposits[6]	414.5	403.8	356.5	274.8	252.8	250.1	247.3	247.3
Nontransaction components								
10 In M2[7]	2,356.8	2,351.4	2,526.0	2,753.3	2,841.9[r]	2,856.6	2,869.6	2,898.4
11 In M3 only[8]	767.8	825.3	937.5	1,098.7	1,171.6[r]	1,179.4[r]	1,213.8[r]	1,232.1
Commercial banks								
12 Savings deposits, including MMDAs	785.2	752.4	776.0	903.9	945.4	949.9	955.2	966.5
13 Small time deposits[9]	468.3	503.2	576.0	592.0	602.0	607.8	614.1[r]	615.8
14 Large time deposits[10, 11]	271.9	298.4	344.7	412.3	441.3[r]	449.8[r]	466.9[r]	474.1
Thrift institutions								
15 Savings deposits, including MMDAs	434.0	397.2	361.1	367.1	375.5	375.5	374.7	374.9
16 Small time deposits[9]	314.3	314.3	357.7	353.7	351.8	350.6	346.7	346.2
17 Large time deposits[10]	61.5	64.7	75.1	79.2	82.4	83.2	84.7	85.0
Money market mutual funds								
18 Retail	354.9	384.3	455.2	536.6	567.2	572.9	578.9	594.9
19 Institution-only	209.5	198.5	246.9	299.3	311.6	318.9	324.1	329.2
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	158.6	182.9	182.1	194.0	202.7	198.7	208.0[r]	211.0
21 Eurodollars[12]	66.4	80.8	88.7	113.9	133.5[r]	128.8[r]	130.0[r]	132.7
Debt components								
22 Federal debt	3,322.9[r]	3,491.9[r]	3,638.5[r]	3,780.0[r]	3,789.7[r]	3,776.4[r]	3,779.4	n.a.
23 Nonfederal debt	9,134.4[r]	9,580.2[r]	10,129.6[r]	10,705.7[r]	10,969.9[r]	11,009.4[r]	11,060.6	n.a.
	Not seasonally adjusted							
Measures[2]								
24 M1	1,153.7	1,174.4	1,152.8	1,103.1[r]	1,051.9[r]	1,062.5	1,063.7	1,067.4
25 M2	3,506.6	3,522.5	3,675.3	3,852.9[r]	3,887.2	3,917.2[r]	3,936.6	3,971.4
26 M3	4,274.8	4,347.4	4,612.0	4,950.2[r]	5,058.2[r]	5,095.3[r]	5,143.2[r]	5,202.0
27 L	5,197.7	5,338.8	5,729.5	6,128.2[r]	6,256.7[r]	6,289.4[r]	6,332.1	n.a.
28 Debt	12,459.4[r]	13,073.9[r]	13,768.5[r]	14,485.1[r]	14,719.0[r]	14,748.4[r]	14,789.7	n.a.
M1 components								
29 Currency[3]	324.8	357.5	376.2	397.9	406.1	408.4	411.3	413.4
30 Travelers checks[4]	7.6	8.1	8.5	8.3	8.2	8.2	8.7	8.8
31 Demand deposits[5]	401.8	400.3	407.3	418.9[r]	387.4[r]	396.3	398.1	400.3
32 Other checkable deposits[6]	419.4	408.6	360.8	278.0	250.2	249.5	245.6	244.8
Nontransaction components								
33 In M2[7]	2,352.9	2,348.1	2,522.6	2,749.8	2,835.4	2,854.8	2,872.9	2,904.0
34 In M3 only[8]	768.2	824.9	936.6	1,097.2	1,170.9[r]	1,178.1[r]	1,206.6[r]	1,230.6
Commercial banks								
35 Savings deposits, including MMDAs	784.3	751.7	775.3	902.9	943.7	952.7	958.5	969.9
36 Small time deposits[9]	466.8	501.5	573.8	589.8	603.2	608.2	614.8	615.8
37 Large time deposits[10, 11]	272.0	298.9	345.7	413.7	443.6	450.1	464.4[r]	472.9
Thrift institutions								
38 Savings deposits, including MMDAs	433.4	396.8	360.8	366.7	374.8	376.6	376.0	376.1
39 Small time deposits[9]	313.3	313.2	356.3	352.4	352.5	350.8	347.1	346.2
40 Large time deposits[10]	61.5	64.8	75.4	79.5	82.8	83.3	84.2	84.8
Money market mutual funds								
41 Retail	355.0	385.0	456.3	538.1	561.1	566.5	576.5	596.0
42 Institution-only	210.6	199.8	248.2	300.5	307.0	313.1	321.0	328.3
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	156.6	179.6	178.0	188.8	205.3	203.8	208.7[r]	213.0
44 Eurodollars[12]	67.6	81.8	89.4	114.7	132.3[r]	127.9[r]	128.3[r]	131.6
Debt components								
45 Federal debt	3,329.5	3,499.0	3,645.9	3,787.9	3,781.3	3,766.2	3,759.9	n.a.
46 Nonfederal debt	9,129.9[r]	9,574.9[r]	10,122.6[r]	10,697.1[r]	10,937.7[r]	10,982.2[r]	11,029.8	n.a.

Footnotes appear on following page

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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

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

M2: M1 plus (1) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more) issued by all depository institutions, (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

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

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

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

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

7. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

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

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1995 Dec.	1996 Dec.	1996	1997							
			Dec.	Jan	Feb.	Mar	Apr.	May	June	July	Aug.
	Interest rates (annual effective yields)										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts[2]	1.91	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2 Savings deposits[2,3]	3.10	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	4.10	4.03	4.03	4.03	4.05	4.02	4.01	4.07	4.09	4.08	4.10
4 92 to 182 days	4.68	4.63	4.63	4.63	4.62	4.67	4.72	4.77	4.79	4.76	4.79
5 183 days to 1 year	5.02	5.00	5.00	5.01	5.02	5.08	5.13	5.15	5.16	5.15	5.14
6 More than 1 year to 2½ years	5.17	5.22	5.22	5.25	5.27	5.36	5.46	5.45	5.44	5.41	5.41
7 More than 2½ years	5.40	5.46	5.46	5.49	5.51	5.60	5.69	5.68	5.69	5.63	5.67
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts[2]	1.91	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
9 Savings deposits[2,3]	2.98	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	4.43	4.66	4.66	4.75	4.73	4.80	4.83	4.81	4.82	4.87	4.78
11 92 to 182 days	4.95	5.02	5.02	5.05	5.04	5.06	5.13	5.15	5.13	5.13	5.09
12 183 days to 1 year	5.18	5.28	5.28	5.31	5.31	5.37	5.43	5.45	5.47	5.44	5.44
13 More than 1 year to 2½ years	5.33	5.53	5.53	5.58	5.59	5.69	5.75	5.77	5.72	5.74	5.69
14 More than 2½ years	5.46	5.72	5.72	5.77	5.78	5.84	5.91	5.91	5.90	5.89	5.85
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts[2]	248,417	n.a.	n.a	n.a.	n.a	n.a.	n.a.	n.a.	n.a	n.a.	n.a.
16 Savings deposits[2,3]	776,466	n.a.	n.a	n.a.	n.a	n.a.	n.a.	n.a.	n.a	n.a.	n.a.
17 Personal	615,113	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
18 Nonpersonal	161,353	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	32,170	32,931	32,931	32,799	32,796	34,853	34,485	32,561	31,369[r]	30,106[r]	30,406
20 92 to 182 days	93,941	92,301	92,301	94,955	95,235	93,804	92,432	91,234	91,246[r]	90,480[r]	90,231
21 183 days to 1 year	183,834	201,449	201,449	201,491	202,329	203,336	207,006	209,296	211,256[r]	211,331[r]	212,011
22 More than 1 year to 2½ years	208,601	213,198	213,198	213,875	212,970	214,066	226,159	220,795	228,065[r]	231,836[r]	234,349
23 More than 2½ years	199,002	199,906	199,906	198,077	197,958	200,282	199,147	198,694	197,163[r]	195,713[r]	195,511
24 IRA and Keogh plan deposits	150,067	151,275	151,275	150,442	150,356	151,931	151,105	151,192	151,938[r]	151,380[r]	150,561
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts[2]	11,918	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26 Savings deposits[2,3]	68,643	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27 Personal	65,366	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 Nonpersonal	3,277	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,001	2,428	2,428	2,542	2,535	2,656	2,698	2,738	2,679[r]	2,591[r]	2,538
30 92 to 182 days	12,140	13,013	13,013	13,112	13,099	13,377	13,463	13,731	13,721[r]	13,603[r]	13,470
31 183 days to 1 year	25,686	28,792	28,792	29,503	29,510	30,002	30,076	29,661	29,752[r]	29,796[r]	29,287
32 More than 1 year to 2½ years	27,482	29,095	29,095	29,163	29,699	31,028	31,616	31,664	32,101[r]	32,702[r]	33,178
33 More than 2½ years	22,866	22,254	22,254	21,828	21,877	21,731	21,640	21,391	21,439[r]	21,137[r]	20,893
34 IRA and Keogh plan accounts	21,408	21,365	21,365	20,405	20,423	20,860	20,860	20,683	20,654[r]	20,616[r]	20,649

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. Owing to statistical difficulties associated in part with the implementation of sweep accounts, estimates for NOW and savings accounts are not available beginning December 1996.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	Aug.	Feb.	Mar.	Apr.	May	June	July	Aug.	Aug. 6	Aug. 13	Aug. 20	Aug. 27
	Seasonally adjusted											
Assets												
1 Bank credit	3,677.9	3,840.4	3,860.1	3,900.9	3,909.3	3,931.6	3,960.1	3,971.9	3,987.5	3,957.0	3,970.3	3,969.6
2 Securities in bank credit	974.3	1,020.2	1,014.3	1,034.1	1,015.9	1,012.7	1,032.7	1,026.5	1,048.2	1,015.9	1,014.3	1,027.7
3 U.S. government securities	703.5	703.6	708.4	723.7	723.5	726.7	727.6	715.2	721.4	707.5	706.7	721.2
4 Other securities	270.8	316.5	305.9	310.4	292.4	286.0	305.1	311.2	326.8	308.4	307.5	306.5
5 Loans and leases in bank credit[2]	2,703.6	2,820.2	2,845.8	2,866.8	2,893.4	2,918.9	2,927.4	2,945.5	2,939.3	2,941.1	2,956.0	2,941.9
6 Commercial and industrial	746.6	793.2	797.5	804.6	810.3	815.8	817.8	827.1	821.3	823.7	829.0	830.3
7 Real estate	1,109.7	1,140.4	1,154.0	1,167.1	1,178.0	1,187.4	1,192.0	1,197.7	1,198.1	1,196.3	1,197.3	1,197.0
8 Revolving home equity	81.0	86.5	87.9	89.7	90.9	92.4	93.3	94.1	93.7	93.9	94.1	94.2
9 Other	1,028.7	1,053.9	1,066.1	1,077.4	1,087.1	1,095.1	1,098.7	1,103.6	1,104.4	1,102.4	1,103.2	1,102.8
10 Consumer	514.0	520.5	518.1	516.2	519.1	521.7	521.4	522.0	523.7	522.5	521.7	520.6
11 Security[3]	72.1	83.9	88.2	89.7	89.1	94.0	95.3	95.1	93.4	97.5	99.8	90.5
12 Other loans and leases	261.3	282.3	288.0	289.2	296.9	299.9	300.9	303.7	302.7	301.1	308.2	303.5
13 Interbank loans	198.1	204.7	220.0	215.9	218.6	191.7	186.1	192.8	181.7	190.0	198.0	198.7
14 Cash assets[4]	225.2	233.4	240.0	246.5	244.1	248.3	245.0	262.6	246.6	258.0	257.1	281.6
15 Other assets[5]	252.7	265.0	272.7	277.2	277.7	282.5	277.3	280.5	271.5	277.9	284.6	285.6
16 **Total assets**[6]	**4,296.5**	**4,487.4**	**4,536.6**	**4,584.0**	**4,593.0**	**4,597.2**	**4,611.2**	**4,650.6**	**4,629.9**	**4,625.5**	**4,652.7**	**4,678.3**
Liabilities												
17 Deposits	2,753.6	2,892.6	2,916.1	2,949.6	2,937.0	2,971.1	2,992.5	3,018.3	3,010.0	3,003.3	3,012.0	3,028.9
18 Transaction	733.9	705.1	699.7	701.8	689.9	693.8	688.7	695.8	687.8	690.5	690.0	711.8
19 Nontransaction	2,019.6	2,187.6	2,216.3	2,247.9	2,247.2	2,277.3	2,303.7	2,322.4	2,322.2	2,312.8	2,322.0	2,317.2
20 Large time	452.7[r]	542.5	548.8	568.1	563.5	580.9	600.2	606.6	603.4	596.4	610.5	608.8
21 Other	1,567.0[r]	1,645.0	1,667.6	1,679.8	1,683.6	1,696.4	1,703.5	1,715.9	1,718.8	1,716.4	1,711.5	1,708.4
22 Borrowings	705.4	735.3	748.0	763.8	767.0	737.2	733.1	746.9	731.1	746.3	757.1	750.4
23 From banks in the U.S.	290.6	304.9	313.0	312.8	302.5	270.6	262.9	275.7	266.1	271.4	284.2	276.4
24 From others	414.8	430.4	435.0	451.1	464.6	466.6	470.3	471.3	465.0	475.0	472.9	473.9
25 Net due to related foreign offices	247.4	217.7	209.1	211.5	233.7	229.5	215.7	206.6	207.7	201.2	212.1	205.1
26 Other liabilities	219.9	286.2	277.6	270.3	262.5	263.2	277.2	283.1	293.1	280.6	278.4	282.3
27 **Total liabilities**	**3,926.3**	**4,131.8**	**4,150.8**	**4,195.3**	**4,200.3**	**4,201.0**	**4,218.5**	**4,255.0**	**4,241.9**	**4,231.3**	**4,259.6**	**4,266.8**
28 Residual (assets less liabilities)[7]	370.2	355.6	385.8	388.7	392.7	396.2	392.7	395.6	388.0	394.2	393.1	411.5
	Not seasonally adjusted											
Assets												
29 Bank credit	3,679.1	3,833.2	3,850.5	3,900.4	3,913.9	3,935.3	3,955.8	3,973.2	3,989.7	3,959.9	3,972.3	3,962.8
30 Securities in bank credit	978.7	1,016.8	1,016.9	1,036.6	1,024.9	1,019.2	1,030.0	1,031.8	1,051.1	1,022.4	1,021.2	1,030.3
31 U.S. government securities	705.8	702.3	713.0	726.4	725.9	726.5	723.5	718.0	722.6	711.0	710.7	722.3
32 Other securities	272.9	314.4	304.0	310.2	299.0	292.7	306.5	313.8	328.4	311.4	310.5	308.0
33 Loans and leases in bank credit[2]	2,700.4	2,816.5	2,833.6	2,863.8	2,888.9	2,916.1	2,925.8	2,941.5	2,938.7	2,937.5	2,951.1	2,932.4
34 Commercial and industrial	742.7	792.8	800.1	811.9	817.1	819.3	819.1	822.8	821.1	821.1	825.0	821.9
35 Real estate	1,111.2	1,137.3	1,148.1	1,162.6	1,173.6	1,185.8	1,192.1	1,199.4	1,198.6	1,198.9	1,198.5	1,198.9
36 Revolving home equity	81.2	86.1	87.1	88.9	90.7	92.4	93.3	94.4	93.8	94.1	94.4	94.6
37 Other	1,029.9	1,051.3	1,061.0	1,073.7	1,083.0	1,093.4	1,098.7	1,105.0	1,104.8	1,104.8	1,104.1	1,104.3
38 Consumer	514.4	521.2	513.5	513.7	517.0	518.9	519.1	522.4	522.1	521.9	522.5	522.6
39 Security[3]	70.6	85.0	87.8	90.2	89.5	93.6	93.8	93.2	92.6	95.6	97.2	87.9
40 Other loans and leases	261.6	280.1	284.1	285.3	291.7	298.6	301.8	303.7	304.3	300.0	308.0	301.1
41 Interbank loans	193.4	209.1	216.4	214.3	214.1	189.2	183.9	188.4	182.7	186.2	193.9	185.2
42 Cash assets[4]	214.3	234.5	230.8	241.8	241.9	245.0	241.3	249.0	237.3	240.6	240.7	255.2
43 Other assets[5]	255.6	264.9	268.1	274.9	280.0	282.7	279.3	283.8	277.7	280.7	284.7	286.5
44 **Total assets**[6]	**4,284.9**	**4,485.8**	**4,509.7**	**4,574.8**	**4,593.2**	**4,595.1**	**4,603.3**	**4,637.0**	**4,630.0**	**4,610.0**	**4,634.2**	**4,632.3**
Liabilities												
45 Deposits	2,743.0	2,877.6	2,904.8	2,947.1	2,928.4	2,966.3	2,983.8	3,008.2	3,012.8	2,993.1	2,996.6	2,990.7
46 Transaction	721.0	698.1	687.5	705.0	680.0	688.1	682.5	683.3	684.9	676.4	672.6	676.8
47 Nontransaction	2,022.0	2,179.5	2,217.3	2,242.1	2,248.4	2,278.2	2,301.3	2,324.9	2,327.9	2,316.7	2,324.0	2,313.9
48 Large time	452.2[r]	542.1	548.8	563.7	568.4	580.7	595.8	605.7	602.3	595.6	610.6	609.3
49 Other	1,569.8[r]	1,637.4	1,668.4	1,678.4	1,680.0	1,697.5	1,705.5	1,719.2	1,725.6	1,721.1	1,713.4	1,704.6
50 Borrowings	711.1	719.8	728.5	764.8	776.8	756.3	746.5	751.4	739.3	747.5	768.7	746.8
51 From banks in the U.S.	295.8	293.1	301.3	311.6	310.5	283.4	270.9	280.1	269.0	273.2	294.2	278.1
52 From others	415.3	426.7	427.2	453.2	466.3	472.9	475.6	471.3	470.2	474.3	474.5	468.7
53 Net due to related foreign offices	243.1	228.6	218.3	210.1	236.7	220.0	211.9	202.2	195.5	196.7	200.0	218.2
54 Other liabilities	219.3	288.1	275.8	270.6	266.2	265.5	275.5	282.1	291.8	279.7	275.8	281.9
55 **Total liabilities**	**3,916.5**	**4,114.2**	**4,127.4**	**4,192.6**	**4,208.0**	**4,208.2**	**4,217.7**	**4,243.9**	**4,239.4**	**4,216.9**	**4,241.1**	**4,237.7**
56 Residual (assets less liabilities)[7]	368.4	371.6	382.3	382.2	385.2	386.9	385.6	393.1	390.6	393.1	393.0	394.6
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a	101.8	90.4	90.1	81.4	76.1	84.3	86.1	99.4	85.4	84.7	79.1
58 Revaluation losses on off-balance-sheet items[8]	n.a.	98.5	86.9	88.0	85.7	80.7	88.4	90.1	104.3	89.4	88.2	82.4

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997							1997			
	Aug	Feb.	Mar.	Apr.	May	June	July	Aug.	Aug. 6	Aug 13	Aug. 20	Aug. 27
	Seasonally adjusted											
Assets												
1 Bank credit	3,212.4	3,309.8	3,334.8	3,367.2	3,369.3	3,388.9	3,414.2	3,430.3	3,438.1	3,422.2	3,435.2	3,426.7
2 Securities in bank credit	824.9	843.2	841.4	856.1	840.3	835.2	847.8	843.6	855.7	841.6	843.0	839.9
3 U.S government securities	622.2	618.2	624.8	635.8	633.5	634.4	634.0	626.6	628.8	625.7	625.5	626.8
4 Other securities	202.7	225.0	216.6	220.2	206.8	200.9	213.8	217.0	226.9	215.8	217.5	213.1
5 Loans and leases in bank credit[2]	2,387.5	2,466.6	2,493.4	2,511.2	2,529.0	2,553.6	2,566.4	2,586.7	2,582.4	2,580.6	2,592.2	2,586.8
6 Commercial and industrial	552.7	576.2	581.6	588.2	590.8	595.7	597.8	605.7	601.2	602.6	606.7	608.8
7 Real estate	1,076.8	1,108.4	1,122.5	1,135.7	1,147.4	1,157.8	1,163.4	1,169.5	1,169.6	1,167.9	1,169.1	1,168.9
8 Revolving home equity	81.0	86.5	87.9	89.7	90.9	92.4	93.3	94.1	93.7	93.9	94.1	94.2
9 Other	995.8	1,021.9	1,034.6	1,046.1	1,056.5	1,065.4	1,070.2	1,075.4	1,075.9	1,074.0	1,075.0	1,074.8
10 Consumer	514.0	520.5	518.1	516.2	519.1	521.7	521.4	522.0	523.7	522.5	521.7	520.6
11 Security[3]	42.4	44.1	48.4	46.5	45.6	48.0	50.4	51.4	51.3	52.4	53.1	49.5
12 Other loans and leases	201.7	217.4	222.7	224.5	226.1	230.4	233.3	238.1	236.6	235.2	241.6	239.0
13 Interbank loans	181.1	183.8	197.2	197.0	197.9	171.8	166.5	174.2	163.2	168.5	181.1	179.1
14 Cash assets[4]	196.2	200.5	207.6	213.8	210.1	212.6	211.0	228.1	212.3	224.2	223.1	246.1
15 Other assets[5]	214.1	223.9	231.7	238.1	238.9	241.3	234.2	237.4	230.0	235.9	242.5	240.5
16 **Total assets[6]**	**3,746.5**	**3,862.2**	**3,915.4**	**3,959.8**	**3,959.8**	**3,957.9**	**3,969.0**	**4,013.0**	**3,986.5**	**3,993.8**	**4,024.8**	**4,035.6**
Liabilities												
17 Deposits	2,574.2	2,654.7	2,673.4	2,691.8	2,684.9	2,712.8	2,721.1	2,746.2	2,735.9	2,735.5	2,740.1	2,757.7
18 Transaction	723.6	695.4	689.3	691.0	678.6	682.7	677.5	683.8	675.4	678.9	677.8	699.9
19 Nontransaction	1,850.6	1,959.3	1,984.1	2,000.8	2,006.3	2,030.1	2,043.6	2,062.4	2,060.5	2,056.7	2,062.4	2,057.9
20 Large time	285.8r	318.3	320.1	323.6	325.2	336.2	342.7	349.3	344.3	342.8	353.4	352.0
21 Other	1,564.8r	1,641.0	1,664.0	1,677.1	1,681.1	1,693.9	1,700.9	1,713.1	1,716.2	1,713.8	1,709.0	1,705.8
22 Borrowings	575.8	592.1	608.0	623.8	623.2	595.7	595.5	607.3	597.8	604.5	615.1	608.9
23 From banks in the U.S.	256.6	271.0	278.2	280.0	269.3	239.5	232.6	244.9	237.4	241.6	250.0	246.9
24 From others	319.1	321.1	329.8	343.8	353.9	356.2	362.9	362.4	360.4	362.9	365.1	362.0
25 Net due to related foreign offices	74.2	78.2	68.0	77.1	85.1	80.8	85.6	79.1	74.7	74.8	83.9	83.8
26 Other liabilities	154.9	186.4	183.7	178.3	173.2	173.1	180.6	185.5	192.4	186.9	185.0	182.6
27 **Total liabilities**	**3,379.0**	**3,511.4**	**3,533.1**	**3,571.0**	**3,566.4**	**3,562.3**	**3,582.9**	**3,618.1**	**3,600.8**	**3,601.7**	**3,624.1**	**3,632.9**
28 Residual (assets less liabilities)[7]	367.5	350.8	382.3	388.8	393.4	395.6	386.1	394.9	385.8	392.0	400.7	402.7
	Not seasonally adjusted											
Assets												
29 Bank credit	3,210.2	3,302.1	3,325.4	3,366.6	3,371.3	3,392.2	3,409.5	3,427.5	3,436.7	3,419.1	3,431.6	3,418.9
30 Securities in bank credit	826.1	838.9	843.4	858.0	844.4	841.1	846.2	845.3	855.9	843.2	844.9	840.5
31 U.S. government securities	623.0	615.2	626.4	639.0	635.4	635.5	632.6	627.8	629.8	627.0	626.3	627.3
32 Other securities	203.0	223.7	217.0	219.0	209.0	205.6	213.6	217.5	226.2	216.1	218.6	213.2
33 Loans and leases in bank credit[2]	2,384.1	2,463.2	2,482.0	2,508.6	2,526.9	2,551.1	2,563.3	2,582.3	2,580.7	2,575.9	2,586.6	2,578.5
34 Commercial and industrial	548.8	575.9	584.6	594.8	597.4	598.4	597.9	601.3	600.0	598.8	602.0	601.7
35 Real estate	1,078.2	1,105.3	1,116.6	1,131.7	1,143.2	1,156.2	1,163.6	1,171.1	1,170.2	1,170.5	1,170.2	1,170.8
36 Revolving home equity	81.2	86.1	87.1	88.9	90.7	92.4	93.3	94.4	93.8	94.1	94.4	94.6
37 Other	997.0	1,019.2	1,029.5	1,042.7	1,052.6	1,063.9	1,070.3	1,076.7	1,076.4	1,076.4	1,075.8	1,076.2
38 Consumer	514.4	521.2	513.5	513.7	517.0	518.9	519.1	522.4	522.1	521.9	522.5	522.6
39 Security[3]	40.9	45.2	48.1	47.0	46.0	47.6	48.9	49.5	50.5	50.6	50.5	46.9
40 Other loans and leases	201.9	215.6	219.3	221.3	223.2	230.0	233.8	237.9	237.9	234.1	241.5	236.4
41 Interbank loans	176.4	188.2	193.7	195.3	193.5	169.3	164.3	169.8	164.1	164.7	177.0	165.6
42 Cash assets[4]	185.2	202.4	199.1	209.9	207.8	208.5	207.1	214.6	202.9	206.5	206.6	220.2
43 Other assets[5]	216.2	223.0	227.7	237.2	240.1	241.6	237.1	239.9	235.6	237.9	242.0	240.3
44 **Total assets[6]**	**3,730.6**	**3,859.9**	**3,890.0**	**3,952.8**	**3,956.3**	**3,954.7**	**3,961.2**	**3,994.6**	**3,982.1**	**3,971.2**	**4,000.0**	**3,987.9**
Liabilities												
45 Deposits	2,565.0	2,642.8	2,662.3	2,695.6	2,675.7	2,707.6	2,715.4	2,738.3	2,741.6	2,728.3	2,726.6	2,719.9
46 Transaction	710.9	688.2	677.3	694.6	669.2	677.1	671.2	671.6	672.9	665.1	660.8	665.2
47 Nontransaction	1,854.1	1,954.7	1,985.0	2,000.9	2,006.5	2,030.5	2,044.2	2,066.7	2,068.7	2,063.2	2,065.8	2,054.7
48 Large time	286.5r	321.1	320.1	325.1	329.0	335.5	341.4	350.4	345.7	344.7	354.9	352.6
49 Other	1,567.6r	1,633.5	1,664.9	1,675.8	1,677.5	1,695.0	1,702.9	1,716.4	1,723.0	1,718.6	1,710.9	1,702.1
50 Borrowings	576.4	583.2	594.4	622.3	633.1	609.8	599.8	606.3	593.2	600.1	621.3	605.5
51 From banks in the U.S	261.4	261.5	268.1	278.6	277.8	250.6	238.9	248.7	238.2	242.2	259.9	249.8
52 From others	315.1	321.7	326.2	343.7	355.3	359.2	360.9	357.6	355.1	357.9	361.4	355.7
53 Net due to related foreign offices	71.9	79.9	72.5	78.8	92.3	79.6	83.0	76.6	70.0	68.5	80.2	89.6
54 Other liabilities	153.9	185.8	182.0	178.8	174.2	174.4	181.1	184.1	190.8	184.9	182.6	181.6
55 **Total liabilities**	**3,367.3**	**3,491.8**	**3,511.2**	**3,575.5**	**3,575.3**	**3,571.4**	**3,579.3**	**3,605.3**	**3,595.6**	**3,581.9**	**3,610.7**	**3,596.6**
56 Residual (assets less liabilities)[7]	363.4	368.1	378.7	377.4	381.0	383.4	381.9	389.3	386.5	389.3	389.4	391.3
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	55.9	49.0	49.5	42.0	38.5	44.3	45.1	53.6	44.5	46.5	40.0
58 Revaluation losses on off-balance-sheet items[8]	n.a.	50.9	43.2	44.6	43.4	40.2	45.7	46.5	55.3	45.9	47.9	41.2
59 Mortgage-backed securities[9]	n.a.	243.5	245.3	248.8	249.0	250.2	251.8	253.5	254.2	253.8	252.1	253.6

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	Aug.	Feb.	Mar.	Apr.	May	June	July	Aug.	Aug. 6	Aug. 13	Aug. 20	Aug. 27
	Seasonally adjusted											
Assets												
1 Bank credit	1,880.5[r]	1,942.0	1,954.0	1,972.3	1,964.2	1,974.8	1,992.5	1,996.0	2,007.4	1,991.2	1,999.4	1,990.2
2 Securities in bank credit	424.5[r]	443.5	437.9	448.9	432.4	428.5	441.4	437.0	449.0	435.3	435.8	433.5
3 U.S. government securities	301.4[r]	298.2	302.5	311.8	308.6	309.9	309.2	301.7	303.5	301.2	300.1	302.4
4 Trading account	20.3	16.2	18.3	20.3	19.4	23.1	24.9	21.8	22.5	20.5	21.0	22.3
5 Investment account	281.0[r]	282.0	284.2	291.5	289.2	286.8	284.3	279.9	281.0	280.7	279.1	280.1
6 Other securities	123.2	145.2	135.4	137.1	123.8	118.6	132.2	135.3	145.5	134.1	135.7	131.1
7 Trading account	56.9	80.0	69.4	72.0	58.4	51.8	64.2	63.7	73.9	62.8	63.7	59.1
8 Investment account	66.3	65.3	66.0	65.1	65.4	66.8	68.0	71.6	71.6	71.3	72.0	72.1
9 State and local government	20.5	21.1	20.8	20.8	21.1	21.7	22.1	22.3	22.3	22.2	22.3	22.2
10 Other	45.8	44.1	45.2	44.3	44.3	45.1	45.8	49.4	49.3	49.1	49.7	49.8
11 Loans and leases in bank credit[2]	1,455.9[r]	1,498.5	1,516.1	1,523.4	1,531.8	1,546.2	1,551.1	1,558.9	1,558.4	1,555.8	1,563.6	1,556.7
12 Commercial and industrial	386.4[r]	402.2	406.3	411.8	412.7	416.0	416.0	421.8	418.2	419.5	422.7	424.1
13 Bankers acceptances	1.7	1.6	1.7	1.6	1.6	1.6	1.6	1.5	1.4	1.5	1.5	1.5
14 Other	384.8[r]	400.6	404.5	410.2	411.2	414.4	414.4	420.3	416.8	418.0	421.1	422.6
15 Real estate	595.7[r]	601.1	607.1	610.4	617.0	621.8	621.0	621.2	622.5	620.8	620.8	619.8
16 Revolving home equity	57.3[r]	59.7	60.5	61.1	62.0	63.2	64.0	64.6	64.2	64.4	64.6	64.6
17 Other	538.4[r]	541.5	546.7	549.3	555.0	558.6	557.1	556.7	558.3	556.5	556.3	555.2
18 Consumer	295.4[r]	301.6	300.3	298.8	300.2	300.5	300.9	298.5	301.2	300.0	297.1	296.7
19 Security[3]	37.8	39.4	43.5	41.9	40.9	43.3	45.7	46.5	46.5	47.5	48.3	44.5
20 Federal funds sold to and repurchase agreements with broker–dealers	23.9	24.0	27.1	23.8	23.3	26.5	28.6	30.0	30.0	30.6	30.4	28.6
21 Other	13.9	15.3	16.5	18.1	17.6	16.9	17.1	16.5	16.5	16.8	17.9	15.9
22 State and local government	11.7	11.6	11.5	11.2	11.1	11.2	11.2	11.3	11.2	11.3	11.3	11.2
23 Agricultural	8.9	8.7	8.7	8.7	8.9	8.8	8.7	8.7	8.7	8.8	8.7	8.7
24 Federal funds sold to and repurchase agreements with others	5.0	5.3	6.3	7.4	5.8	6.3	7.3	6.3	8.5	5.1	6.2	6.5
25 All other loans	60.7	62.8	65.0	64.0	64.7	66.2	66.0	68.6	65.9	67.1	72.5	68.9
26 Lease-financing receivables	54.3	65.8	67.4	69.1	70.5	72.2	74.3	76.1	75.7	75.8	76.1	76.3
27 Interbank loans	140.0	133.8	143.4	148.9	149.6	121.5	115.2	121.0	110.7	113.6	129.7	126.1
28 Federal funds sold to and repurchase agreements with commercial banks	93.3[r]	84.0	92.1	96.8	93.3	69.8	69.5	73.7	63.8	65.9	82.2	78.9
29 Other	46.7	49.9	51.3	52.1	56.3	51.7	45.7	47.3	46.8	47.7	47.6	47.1
30 Cash assets[4]	136.6	135.5	140.5	145.3	143.1	142.9	142.0	155.5	142.9	152.2	151.9	171.2
31 Other assets[5]	167.8[r]	173.4	174.4	179.6	181.4	179.1	172.3	173.5	167.4	170.4	176.6	177.2
32 **Total assets[6]**	**2,286.8[r]**	**2,348.3**	**2,375.8**	**2,409.3**	**2,401.8**	**2,381.7**	**2,385.3**	**2,409.4**	**2,391.7**	**2,390.7**	**2,421.0**	**2,428.3**
Liabilities												
33 Deposits	1,417.6[r]	1,444.7	1,452.6	1,464.8	1,454.8	1,470.5	1,464.8	1,478.4	1,473.8	1,468.0	1,474.8	1,486.1
34 Transaction	420.7[r]	392.5	385.5	385.3	374.8	377.9	372.0	376.6	373.8	371.7	372.4	385.9
35 Nontransaction	996.9[r]	1,052.2	1,067.0	1,079.5	1,079.9	1,092.5	1,092.8	1,101.9	1,100.0	1,096.2	1,102.5	1,100.2
36 Large time	145.6[r]	163.1	163.9	168.2	168.4	176.6	181.2	186.7	182.2	180.6	190.5	189.8
37 Other	851.3[r]	889.0	903.2	911.2	911.5	915.9	911.6	915.1	917.8	915.7	911.9	910.3
38 Borrowings	426.7	439.5	453.2	466.3	466.9	438.2	435.1	444.5	434.6	441.6	452.1	446.4
39 From banks in the U.S.	173.1	187.4	193.9	195.1	183.9	159.9	157.1	168.4	159.8	163.8	174.3	171.2
40 From others	253.6[r]	252.1	259.2	271.2	282.9	278.2	277.9	276.0	274.8	277.8	277.8	275.2
41 Net due to related foreign offices	69.8	74.2	64.1	72.7	80.9	77.0	80.8	74.6	70.4	70.5	79.0	79.3
42 Other liabilities	129.7[r]	162.0	157.9	152.8	146.9	145.9	154.1	158.0	165.2	159.6	157.5	155.0
43 **Total liabilities**	**2,043.8[r]**	**2,120.4**	**2,127.8**	**2,156.6**	**2,149.4**	**2,131.5**	**2,134.9**	**2,155.5**	**2,144.0**	**2,139.6**	**2,163.4**	**2,166.7**
44 Residual (assets less liabilities)[7]	243.0[r]	228.0	248.0	252.7	252.4	250.1	250.5	253.9	247.7	251.1	257.6	261.6

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks—Continued

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	Aug.	Feb.	Mar.	Apr.	May	June	July	Aug.	Aug. 6	Aug. 13	Aug. 20	Aug. 27
	Not seasonally adjusted											
Assets												
45 Bank credit	1,878.6[r]	1,939.7	1,949.1	1,971.3	1,966.4	1,977.2	1,987.3	1,993.5	2,006.7	1,988.2	1,997.4	1,981.5
46 Securities in bank credit	427.6[r]	440.7	438.6	447.4	434.7	432.6	440.6	440.4	451.5	438.4	440.6	434.6
47 U.S. government securities	303.9[r]	296.6	303.0	311.9	309.0	309.2	308.6	304.5	306.6	303.9	303.5	303.3
48 Trading account	21.0	16.4	19.4	20.5	19.6	21.6	23.8	22.5	23.3	21.4	22.5	21.4
49 Investment account	282.9[r]	280.1	283.7	291.4	289.4	287.6	284.8	282.0	283.3	282.4	281.0	281.9
50 Mortgage-backed securities	n.a.	182.0	183.8	186.3	186.2	186.5	187.8	187.3	188.8	187.9	185.8	187.5
51 Other	n.a.	98.0	99.7	104.9	103.0	100.9	96.8	94.6	94.5	94.6	95.2	94.4
52 One year or less	n.a.	26.4	26.7	29.1	27.6	27.5	25.9	25.8	26.2	26.4	25.9	25.1
53 Between one and five years	n.a.	56.5	56.6	57.7	57.0	54.6	50.6	48.1	47.9	48.3	48.5	48.3
54 More than five years	n.a.	15.1	16.4	18.0	18.5	18.8	20.4	20.6	20.4	19.9	20.8	20.9
55 Other securities	123.7	144.2	135.5	135.6	125.7	123.4	132.0	135.9	144.9	134.6	137.1	131.4
56 Trading account	57.8	78.8	69.8	70.8	60.6	57.0	64.9	64.8	73.8	63.8	65.6	59.7
57 Investment account	65.9	65.4	65.7	64.8	65.1	66.4	67.1	71.2	71.1	70.8	71.5	71.6
58 State and local government	20.3	21.1	20.8	20.9	21.2	21.8	21.7	22.0	21.9	22.0	22.1	22.2
59 Other	45.7	44.2	44.9	43.8	43.9	44.6	45.3	49.1	49.2	48.8	49.4	49.5
60 Loans and leases in bank credit[2]	1,451.0[r]	1,498.9	1,510.6	1,523.8	1,531.6	1,544.6	1,546.8	1,553.0	1,555.2	1,549.8	1,556.8	1,546.9
61 Commercial and industrial	383.7[r]	402.2	408.7	417.2	417.9	417.5	416.1	418.6	417.9	416.8	419.2	418.5
62 Bankers acceptances	1.7	1.6	1.6	1.5	1.5	1.6	1.5	1.5	1.4	1.5	1.5	1.5
63 Other	382.0[r]	400.6	407.1	415.6	416.3	415.9	414.6	417.1	416.5	415.3	417.7	417.0
64 Real estate	596.0[r]	600.6	604.2	609.0	614.3	620.4	620.8	621.7	623.0	622.3	620.7	619.6
65 Revolving home equity	57.4	59.5	59.9	60.6	61.9	63.2	64.0	64.7	64.3	64.5	64.8	64.9
66 Other	n.a.	329.6	331.7	339.2	341.6	344.8	344.8	345.7	348.0	346.9	345.3	343.9
67 Commercial	n.a.	210.9	212.0	208.6	210.2	211.8	211.5	210.6	210.7	210.9	210.7	210.8
68 Consumer	295.8[r]	301.5	297.5	296.7	298.5	299.4	298.7	299.0	299.5	299.6	298.1	298.6
69 Security[3]	36.4	40.4	43.2	42.4	41.6	43.0	44.3	44.7	45.5	45.7	45.8	42.3
70 Federal funds sold to and repurchase agreements with broker–dealers	22.8[r]	24.3	26.8	24.8	24.1	26.0	27.9	28.5	29.9	29.5	28.3	26.0
71 Other	13.6	16.1	16.4	17.6	17.4	17.0	16.5	16.2	15.7	16.1	17.5	16.2
72 State and local government	11.8	11.5	11.5	11.2	11.1	11.2	11.2	11.3	11.3	11.4	11.4	11.3
73 Agricultural	9.1	8.4	8.5	8.6	8.9	8.9	8.9	9.0	9.0	9.1	9.0	9.0
74 Federal funds sold to and repurchase agreements with others	4.9	6.1	6.2	7.1	5.9	6.5	7.5	6.2	8.3	4.8	6.2	6.2
75 All other loans	59.7	61.8	63.1	62.7	63.1	65.7	65.3	67.4	65.8	65.4	71.3	66.1
76 Lease-financing receivables	53.7	66.4	67.8	68.9	70.4	72.0	73.8	75.2	74.8	74.9	75.1	75.3
77 Interbank loans	136.3[r]	136.1	139.8	146.8	148.6	121.8	115.6	117.6	108.7	111.0	127.1	117.8
78 Federal funds sold to and repurchase agreements with commercial banks	89.9	86.0	90.1	96.8	94.2	71.2	68.9	70.6	61.6	64.2	79.9	71.1
79 Other	46.4	50.2	49.7	50.0	54.3	50.6	46.6	47.0	47.2	46.8	47.2	46.7
80 Cash assets[4]	128.0[r]	138.2	134.1	142.8	141.1	140.2	138.6	144.4	134.7	138.0	138.7	150.7
81 Other assets[5]	169.8	171.1	171.4	179.7	183.2	181.4	175.2	175.8	171.4	172.9	177.5	178.5
82 **Total assets**[6]	**2,274.6**[r]	**2,348.8**	**2,358.0**	**2,404.1**	**2,402.7**	**2,383.9**	**2,380.1**	**2,394.6**	**2,384.7**	**2,373.4**	**2,404.0**	**2,391.9**
Liabilities												
83 Deposits	1,411.4[r]	1,442.7	1,446.4	1,466.4	1,448.1	1,467.2	1,462.5	1,473.2	1,475.0	1,465.2	1,467.0	1,461.3
84 Transaction	411.4[r]	389.1	377.8	388.7	368.8	373.9	367.9	367.5	369.1	362.7	361.1	362.1
85 Nontransaction	1,000.0[r]	1,053.5	1,068.6	1,077.7	1,079.4	1,093.2	1,094.6	1,105.6	1,106.0	1,102.5	1,105.9	1,099.1
86 Large time	146.6[r]	165.3	163.0	168.7	171.4	176.4	180.7	188.0	183.5	182.6	192.4	190.7
87 Other	853.4[r]	888.2	905.6	909.0	908.0	916.8	914.0	917.6	922.4	920.0	913.6	908.5
88 Borrowings	429.3[r]	431.8	445.0	467.3	472.9	448.6	439.4	445.1	434.0	439.7	458.2	442.8
89 From banks in the U.S.	178.0	179.7	187.6	194.5	190.0	168.0	161.9	172.3	162.2	165.7	182.4	173.4
90 From nonbanks in the U.S.	251.3[r]	252.1	257.4	272.8	282.9	280.6	277.5	272.8	271.7	274.0	275.9	269.3
91 Net due to related foreign offices	67.5	76.0	68.6	74.4	88.1	75.8	78.2	72.1	65.6	64.2	75.3	85.1
92 Other liabilities	128.5[r]	161.0	155.9	153.1	148.1	147.7	154.4	156.4	163.6	157.2	155.0	153.7
93 **Total liabilities**	**2,036.8**[r]	**2,111.5**	**2,115.9**	**2,161.1**	**2,157.2**	**2,139.3**	**2,134.5**	**2,146.7**	**2,138.2**	**2,126.3**	**2,155.5**	**2,142.9**
94 Residual (assets less liabilities)[7]	237.8[r]	237.3	242.0	243.0	245.5	244.6	245.6	247.9	246.5	247.1	248.5	249.0
MEMO												
95 Revaluation gains on off-balance-sheet items[8]	n.a.	55.9	49.0	49.5	42.0	38.5	44.3	45.1	53.6	44.5	46.5	40.0
96 Revaluation losses on off-balance-sheet items[8]	n.a.	50.9	43.2	44.6	43.4	40.2	45.7	46.5	55.3	45.9	47.9	41.2
97 Mortgage-backed securities[9]	n.a.	201.8	202.5	204.2	203.7	203.7	204.1	203.8	204.9	204.6	202.7	204.0
98 Pass-through securities	n.a.	138.0	139.0	140.4	140.9	141.8	142.3	141.5	142.5	141.7	140.3	142.2
99 CMOs, REMICs, and other mortgage-backed securities	n.a.	63.8	63.4	63.8	62.9	61.9	61.7	62.3	62.4	62.8	62.4	61.8
100 Net unrealized gains (losses) on available-for-sale securities[10]	n.a.	2.7	2.7	1.8	2.1	2.6	3.1	3.7	3.8	3.7	3.7	3.6
101 Offshore credit to U.S. residents[11]	28.4	32.1	32.9	33.3	33.6	33.4	33.7	34.0	34.4	33.7	33.7	33.7

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	Aug.[r]	Feb.	Mar	Apr.	May	June	July	Aug.	Aug. 6	Aug. 13	Aug. 20	Aug. 27
	Seasonally adjusted											
Assets												
1 Bank credit	1,331.9	1,367.9	1,380.8	1,394.9	1,405.1	1,414.1	1,421.7	1,434.4	1,430.7	1,431.0	1,435.8	1,436.5
2 Securities in bank credit	400.4	399.8	403.5	407.1	407.9	406.7	406.4	406.6	406.7	406.2	407.2	406.4
3 U.S. government securities	320.8	320.0	322.3	324.0	324.9	324.4	324.8	324.9	325.2	324.6	325.4	324.5
4 Other securities	79.5	79.8	81.2	83.2	83.0	82.3	81.6	81.8	81.4	81.7	81.8	82.0
5 Loans and leases in bank credit[2]	931.6	968.1	977.3	987.8	997.2	1,007.4	1,015.3	1,027.7	1,024.0	1,024.8	1,028.6	1,030.1
6 Commercial and industrial	166.3	174.0	175.3	176.4	178.1	179.7	181.8	183.9	182.9	183.1	184.1	184.7
7 Real estate	481.1	507.3	515.4	525.3	530.4	536.0	542.4	548.2	547.1	547.1	548.2	549.2
8 Revolving home equity	23.7	26.8	27.4	28.6	28.9	29.2	29.3	29.5	29.5	29.5	29.5	29.6
9 Other	457.4	480.4	488.0	496.8	501.6	506.9	513.1	518.7	517.6	517.6	518.7	519.6
10 Consumer	218.6	218.9	217.8	217.4	219.0	221.3	220.5	223.5	222.6	222.6	224.7	223.9
11 Security[3]	4.5	4.7	4.9	4.6	4.7	4.7	4.8	4.9	4.9	5.0	4.8	4.9
12 Other loans and leases	61.1	63.2	63.8	64.1	65.1	65.7	65.8	67.2	66.6	67.1	66.8	67.4
13 Interbank loans	41.1	50.0	53.9	48.1	48.3	50.3	51.3	53.2	52.5	54.9	51.4	53.1
14 Cash assets[4]	59.6	65.0	67.1	68.5	67.0	69.7	69.0	72.6	69.5	72.0	71.2	74.9
15 Other assets[5]	46.3	50.5	57.3	58.4	57.4	62.2	61.9	64.0	62.6	65.5	65.9	63.3
16 **Total assets**[6]	**1,459.7**	**1,513.9**	**1,539.6**	**1,550.4**	**1,558.0**	**1,576.3**	**1,583.6**	**1,603.6**	**1,594.8**	**1,603.0**	**1,603.8**	**1,607.3**
Liabilities												
17 Deposits	1,156.6	1,210.0	1,220.8	1,227.0	1,230.1	1,242.3	1,256.3	1,267.8	1,262.1	1,267.6	1,265.3	1,271.6
18 Transaction	302.9	302.9	303.8	305.7	303.8	304.8	305.5	307.3	301.6	307.1	305.4	314.0
19 Nontransaction	853.6	907.1	917.0	921.3	926.3	937.5	950.8	960.5	960.5	960.4	959.9	957.7
20 Large time	140.2	155.1	156.2	155.4	156.8	159.6	161.5	162.6	162.1	162.3	162.8	162.2
21 Other	713.5	752.0	760.8	765.9	769.5	777.9	789.3	797.9	798.4	798.2	797.1	795.5
22 Borrowings	149.0	152.7	154.8	157.5	156.3	157.5	160.4	162.8	163.2	162.9	163.0	162.5
23 From banks in the U.S.	83.5	83.6	84.3	84.9	85.3	79.5	75.5	76.5	77.5	77.8	75.7	75.7
24 From others	65.5	69.1	70.5	72.6	71.0	78.0	85.0	86.3	85.6	85.1	87.2	86.8
25 Net due to related foreign offices	4.4	4.0	3.9	4.4	4.2	3.8	4.8	4.5	4.3	4.3	4.9	4.5
26 Other liabilities	25.2	24.4	25.7	25.5	26.3	27.1	26.5	27.5	27.2	27.4	27.5	27.6
27 **Total liabilities**	**1,335.2**	**1,391.1**	**1,405.3**	**1,414.4**	**1,417.0**	**1,430.8**	**1,448.0**	**1,462.6**	**1,456.7**	**1,462.1**	**1,460.7**	**1,466.2**
28 Residual (assets less liabilities)[7]	124.5	122.9	134.3	136.0	141.0	145.5	135.6	141.0	138.1	140.9	143.1	141.1
	Not seasonally adjusted											
Assets												
29 Bank credit	1,331.5	1,362.4	1,376.3	1,395.3	1,404.9	1,415.0	1,422.2	1,434.1	1,430.0	1,430.9	1,434.2	1,437.4
30 Securities in bank credit	398.5	398.1	404.8	410.6	409.7	408.5	405.6	404.8	404.5	404.8	404.3	405.8
31 U.S. government securities	319.2	318.6	323.4	327.2	326.4	326.3	324.0	323.3	323.2	323.2	322.8	324.0
32 Other securities	79.3	79.5	81.4	83.4	83.3	82.2	81.6	81.5	81.3	81.6	81.5	81.8
33 Loans and leases in bank credit[2]	933.1	964.2	971.4	984.7	995.2	1,006.5	1,016.5	1,029.2	1,025.5	1,026.1	1,029.8	1,031.6
34 Commercial and industrial	165.1	173.7	175.9	177.6	179.5	180.9	181.8	182.7	182.1	182.0	182.8	183.3
35 Real estate	482.2	504.7	512.4	522.6	528.9	535.9	542.8	549.4	547.2	548.2	549.4	551.3
36 Revolving home equity	23.8	26.6	27.2	28.3	28.8	29.2	29.3	29.6	29.5	29.6	29.6	29.8
37 Other	458.4	478.1	485.2	494.3	500.2	506.7	513.5	519.8	517.7	518.7	519.8	521.5
38 Consumer	218.6	219.7	216.0	217.0	218.5	219.4	220.3	223.4	222.6	222.4	224.4	224.0
39 Security[3]	4.5	4.8	4.9	4.7	4.5	4.5	4.6	4.9	5.0	4.9	4.7	4.6
40 Other loans and leases	62.7	61.3	62.3	62.8	63.8	65.7	66.9	68.8	68.7	68.6	68.4	68.4
41 Interbank loans	40.1	52.1	53.8	48.5	44.9	47.4	48.7	52.2	55.4	53.7	49.9	47.8
42 Cash assets[4]	57.2	64.2	64.9	67.2	66.8	68.3	68.5	70.2	68.2	68.6	67.9	69.5
43 Other assets[5]	46.4	51.9	56.3	57.5	56.9	60.2	61.9	64.0	64.1	65.0	64.6	61.8
44 **Total assets**[6]	**1,456.1**	**1,511.2**	**1,532.0**	**1,548.8**	**1,553.6**	**1,570.9**	**1,581.0**	**1,600.0**	**1,597.4**	**1,597.8**	**1,596.1**	**1,596.0**
Liabilities												
45 Deposits	1,153.6	1,200.2	1,215.9	1,229.2	1,227.6	1,240.4	1,252.9	1,265.2	1,266.6	1,263.1	1,259.6	1,258.6
46 Transaction	299.5	299.0	299.5	305.9	300.5	303.2	303.3	304.0	303.9	302.4	299.7	303.1
47 Nontransaction	854.2	901.1	916.4	923.3	927.1	937.2	949.6	961.1	962.7	960.7	959.9	955.5
48 Large time	139.9	155.8	157.1	156.4	157.6	159.1	160.7	162.3	162.1	162.1	162.5	161.9
49 Other	714.3	745.3	759.3	766.8	769.5	778.1	788.9	798.8	800.6	798.6	797.3	793.6
50 Borrowings	147.1	151.4	149.4	155.0	160.3	161.2	160.4	161.3	159.3	160.4	163.1	162.7
51 From banks in the U.S.	83.3	81.8	80.5	84.1	87.8	82.6	77.0	76.4	75.9	76.5	77.5	76.3
52 From others	63.8	69.6	68.8	70.9	72.4	78.6	83.4	84.9	83.3	83.9	85.5	86.4
53 Net due to related foreign offices	4.4	4.0	3.9	4.4	4.2	3.8	4.8	4.5	4.3	4.3	4.9	4.5
54 Other liabilities	25.4	24.8	26.1	25.8	26.1	26.7	26.7	27.6	27.3	27.7	27.6	27.9
55 **Total liabilities**	**1,330.5**	**1,380.4**	**1,395.3**	**1,414.4**	**1,418.1**	**1,432.1**	**1,444.8**	**1,458.6**	**1,457.4**	**1,455.6**	**1,455.2**	**1,453.7**
56 Residual (assets less liabilities)[7]	125.6	130.8	136.7	134.4	135.5	138.8	136.2	141.4	140.0	142.2	140.9	142.3
MEMO												
57 Mortgage-backed securities[9]	n.a.	41.7	42.8	44.6	45.3	46.5	47.7	49.7	49.3	49.3	49.4	49.6

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997							1997			
	Aug.	Feb.	Mar.	Apr.	May	June	July	Aug.	Aug. 6	Aug. 13	Aug. 20	Aug. 27
	Seasonally adjusted											
Assets												
1 Bank credit	465.5	530.5	525.3	533.7	540.0	542.7	545.9	541.6	549.3	534.8	535.1	542.8
2 Securities in bank credit	149.4	176.9	172.9	178.0	175.6	177.5	185.0	182.8	192.5	174.3	171.3	187.8
3 U.S. government securities	81.3	85.4	83.6	87.9	90.0	92.4	93.6	88.6	92.6	81.7	81.3	94.4
4 Other securities	68.1	91.5	89.3	90.2	85.6	85.1	91.3	94.2	99.9	92.6	90.0	93.4
5 Loans and leases in bank credit[2]	316.1	353.6	352.4	355.7	364.4	365.2	361.0	358.8	356.9	360.4	363.8	355.1
6 Commercial and industrial	193.9	217.0	215.9	216.4	219.5	220.1	220.0	221.4	220.1	221.2	222.3	221.6
7 Real estate	32.9	32.0	31.5	31.4	30.6	29.6	28.6	28.2	28.5	28.4	28.2	28.0
8 Security[3]	29.7	39.8	39.7	43.2	43.5	46.0	44.9	43.6	42.1	45.0	46.7	41.0
9 Other loans and leases	59.6	64.9	65.3	64.7	70.8	69.5	67.6	65.5	66.1	65.9	66.6	64.5
10 Interbank loans	17.0	20.9	22.7	18.9	20.6	19.9	19.6	18.7	18.6	21.4	16.9	19.6
11 Cash assets[4]	29.1	32.9	32.4	32.7	34.0	35.7	34.0	34.5	34.2	33.9	34.0	35.5
12 Other assets[5]	38.6	41.1	41.0	39.1	38.9	41.2	43.0	43.0	41.5	41.9	42.1	45.1
13 **Total assets**[6]	**550.1**	**625.2**	**621.2**	**624.2**	**633.2**	**639.2**	**642.3**	**637.6**	**643.4**	**631.7**	**627.9**	**642.7**
Liabilities												
14 Deposits	179.4	238.0	242.7	257.9	252.1	258.3	271.4	272.1	274.1	267.7	271.8	271.2
15 Transaction	10.3	9.7	10.4	10.8	11.2	11.1	11.3	12.0	12.4	11.6	12.2	11.9
16 Nontransaction	169.1	228.2	232.2	247.1	240.9	247.2	260.1	260.0	261.7	256.1	259.7	259.3
17 Large time	166.9	224.3	228.7	244.5	238.4	244.7	257.5	257.2	259.1	253.5	257.1	256.8
18 Other	2.2	4.0	3.6	2.6	2.5	2.5	2.6	2.8	2.6	2.6	2.5	2.5
19 Borrowings	129.7	143.2	140.0	140.0	143.8	141.5	137.6	139.7	133.3	141.9	142.0	141.5
20 From banks in the U.S.	33.9	33.9	34.8	32.8	33.2	31.1	30.2	30.8	28.7	29.8	34.2	29.5
21 From others	95.7	109.3	105.3	107.3	110.7	110.4	107.4	108.9	104.6	112.1	107.9	112.0
22 Net due to related foreign offices	173.2	139.4	141.0	134.4	148.6	148.7	130.1	127.5	133.0	126.3	128.2	121.4
23 Other liabilities	65.0	99.8	94.0	92.0	89.3	90.1	96.6	97.6	100.7	93.7	93.4	99.8
24 **Total liabilities**	**547.3**	**620.4**	**617.7**	**624.3**	**633.9**	**638.6**	**635.7**	**636.8**	**641.1**	**629.6**	**635.5**	**633.9**
25 Residual (assets less liabilities)[7]	2.7	4.8	3.5	−0.1	−0.7	0.6	6.6	0.8	2.2	2.1	−7.6	8.8
	Not seasonally adjusted											
Assets												
26 Bank credit	469.0	531.2	525.1	533.8	542.6	543.1	546.3	545.7	553.1	540.8	540.7	543.8
27 Securities in bank credit	152.6	177.9	173.5	178.5	180.5	178.1	183.8	186.5	195.1	179.2	176.3	189.9
28 U.S. government securities	82.7	87.2	86.6	87.3	90.5	91.0	90.9	90.2	92.8	84.0	84.4	95.0
29 Trading account	n.a.	21.4	20.0	18.6	18.8	18.8	18.2	19.2	19.1	14.7	15.5	23.1
30 Investment account	n.a	65.8	66.6	68.8	71.7	72.3	72.7	71.0	73.7	69.2	69.0	71.9
31 Other securities	69.9	90.7	87.0	91.2	90.0	87.1	92.9	96.3	102.3	95.2	91.9	94.9
32 Trading account	n.a.	65.2	60.4	61.1	59.7	58.2	60.9	62.3	68.7	61.2	57.9	60.6
33 Investment account	n.a.	25.5	26.6	30.0	30.3	28.9	32.0	34.0	33.5	34.1	34.0	34.3
34 Loans and leases in bank credit[2]	316.4	353.3	351.6	355.2	362.1	365.0	362.5	359.2	357.9	361.6	364.5	354.0
35 Commercial and industrial	194.0	216.9	215.6	217.2	219.7	220.9	221.2	221.6	221.1	222.3	222.9	220.1
36 Real estate	32.9	32.1	31.5	30.9	30.4	29.5	28.5	28.2	28.4	28.4	28.3	28.1
37 Security[3]	29.7	39.8	39.7	43.2	43.5	46.0	44.9	43.6	42.1	45.0	46.7	41.0
38 Other loans and leases	59.8	64.5	64.8	64.0	68.5	68.6	68.0	65.8	66.4	65.9	66.5	64.7
39 Interbank loans	17.0	20.9	22.7	18.9	20.6	19.9	19.6	18.7	18.6	21.4	16.9	19.6
40 Cash assets[4]	29.0	32.1	31.8	31.9	34.0	36.5	34.2	34.4	34.4	34.1	34.0	35.1
41 Other assets[5]	39.3	41.9	40.4	37.7	39.9	41.1	42.2	43.9	42.1	42.8	42.7	46.2
42 **Total assets**[6]	**554.3**	**625.8**	**619.8**	**622.0**	**636.9**	**640.3**	**642.1**	**642.4**	**647.9**	**638.8**	**634.1**	**644.4**
Liabilities												
43 Deposits	177.9	234.8	242.5	251.5	252.6	258.7	268.3	269.8	271.2	264.8	270.0	270.8
44 Transaction	10.1	9.9	10.2	10.4	10.7	11.1	11.3	11.7	12.0	11.3	11.8	11.6
45 Nontransaction	167.8	224.9	232.3	241.1	241.9	247.7	257.1	258.1	259.2	253.5	258.3	259.2
46 Large time	165.7	221.0	228.7	238.6	239.4	245.1	254.5	255.3	256.6	250.9	255.7	256.7
47 Other	2.2	3.9	3.6	2.6	2.5	2.5	2.6	2.8	2.6	2.5	2.5	2.5
48 Borrowings	134.7	136.6	134.1	142.5	143.6	146.5	146.7	145.0	146.0	147.3	147.4	141.3
49 From banks in the U.S.	34.5	31.7	33.2	33.0	32.7	32.8	31.9	31.3	30.9	30.9	34.3	28.3
50 From others	100.2	105.0	101.0	109.5	110.9	113.7	114.8	113.7	115.2	116.4	113.1	113.0
51 Net due to related foreign offices	171.2	148.6	145.7	131.3	144.3	140.4	128.9	125.6	125.6	128.2	119.9	128.6
52 Other liabilities	65.4	102.3	93.8	91.8	92.0	91.1	94.4	98.1	100.9	94.8	93.2	100.3
53 **Total liabilities**	**549.2**	**622.4**	**616.2**	**617.1**	**632.6**	**636.8**	**638.4**	**638.6**	**643.8**	**635.0**	**630.5**	**641.1**
54 Residual (assets less liabilities)[7]	5.1	3.5	3.6	4.8	4.2	3.5	3.7	3.8	4.1	3.8	3.7	3.3
MEMO												
55 Revaluation gains on off-balance-sheet items[8]	n.a.	45.9	41.4	40.5	39.4	37.6	40.0	41.1	45.7	41.0	38.2	39.1
56 Revaluation losses on off-balance-sheet items[8]	n.a.	47.6	43.7	43.4	42.3	40.5	42.7	43.6	49.0	43.5	40.3	41.2

Footnotes appear on p. A21.

NOTES TO TABLE 1.26

NOTE. Tables 1.26, 1.27, and 1.28 have been revised to reflect changes in the Board's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States." Table 1.27, "Assets and Liabilities of Large Weekly Reporting Commercial Banks," and table 1.28, "Large Weekly Reporting U.S. Branches and Agencies of Foreign Banks," are no longer being published in the *Bulletin*. Instead, abbreviated balance sheets for both large and small domestically chartered banks have been included in table 1.26, parts C and D. Data are both merger-adjusted and break-adjusted. In addition, data from large weekly reporting U.S. branches and agencies of foreign banks have been replaced by balance sheet estimates of all foreign-related institutions and are included in table 1.26, part E. These data are break-adjusted.

The not-seasonally-adjusted data for all tables now contain additional balance sheet items, which were available as of October 2, 1996.

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks, and Edge Act and agreement corporations (foreign-related institutions). Excludes International Banking Facilities. Data are Wednesday values or *pro rata* averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

The data for large and small domestic banks presented on pp. A17–19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank group that contained the acquired bank and put into past data for the group containing the acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

2. Excludes federal funds sold to, reverse RPs with, and loans made to commercial banks in the United States, all of which are included in "Interbank loans."

3. Consists of reverse RPs with brokers and dealers and loans to purchase and carry securities.

4. Includes vault cash, cash items in process of collection, balances due from depository institutions, and balances due from Federal Reserve Banks.

5. Excludes the due-from position with related foreign offices, which is included in "Net due to related foreign offices."

6. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis. On a seasonally adjusted basis this item reflects any differences in the seasonal patterns estimated for total assets and total liabilities.

8. Fair value of derivative contracts (interest rate, foreign exchange rate, other commodity and equity contracts) in a gain/loss position, as determined under FASB Interpretation No. 39.

9. Includes mortgage-backed securities issued by U.S. government agencies, U.S. government-sponsored enterprises, and private entities.

10. Difference between fair value and historical cost for securities classified as available-for-sale under FASB Statement No. 115. Data are reported net of tax effects. Data shown are restated to include an estimate of these tax effects.

11. Mainly commercial and industrial loans but also includes an unknown amount of credit extended to other than nonfinancial businesses.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1997					
	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	Feb.	Mar.	Apr.	May	June	July
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**545,619**	**555,075**	**595,382**	**674,904**	**775,371**	**813,168**	**836,979**	**838,366**	**855,178**	**864,758**	**889,494**
Financial companies[1]											
2 Dealer-placed paper[2], total	226,456	218,947	223,038	275,815	361,147	387,164	402,291	404,727	413,776	414,475	440,262
3 Directly placed paper[3], total	171,605	180,389	207,701	210,829	229,662	239,509	246,215	248,920	252,856	256,165	253,971
4 Nonfinancial companies[4]	147,558	155,739	164,643	188,260	184,563	186,495	188,473	184,719	188,546	194,119	195,260
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**38,194**	**32,348**	**29,835**	**29,242**	**25,754**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By holder											
6 Accepting banks	10,555	12,421	11,783	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Own bills	9,097	10,707	10,462	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Bills bought from other banks	1,458	1,714	1,321	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Federal Reserve Banks[6]											
9 Foreign correspondents	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	26,364	19,202	17,642	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By basis											
11 Imports into United States	12,209	10,217	10,062	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Exports from United States	8,096	7,293	6,355	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 All other	17,890	14,838	13,417	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances are reported annually in September
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1994—Mar. 24	6.25	1994	7.15	1995—Jan.	8.50	1996—Jan.	8.50
Apr. 19	6.75	1995	8.83	Feb.	9.00	Feb.	8.25
May 17	7.25	1996	8.27	Mar.	9.00	Mar.	8.25
Aug. 16	7.75			Apr.	9.00	Apr.	8.25
Nov. 15	8.50	1994—Jan.	6.00	May	9.00	May	8.25
		Feb.	6.00	June	9.00	June	8.25
1995—Feb. 1	9.00	Mar.	6.06	July	8.80	July	8.25
July 7	8.75	Apr.	6.45	Aug.	8.75	Aug.	8.25
Dec. 20	8.50	May	6.99	Sept.	8.75	Sept.	8.25
		June	7.25	Oct.	8.75	Oct.	8.25
1996—Feb. 1	8.25	July	7.25	Nov.	8.75	Nov.	8.25
		Aug.	7.51	Dec.	8.65	Dec.	8.25
1997—Mar 26	8.50	Sept.	7.75				
		Oct.	7.75			1997—Jan.	8.25
		Nov.	8.15			Feb.	8.25
		Dec.	8.50			Mar.	8.30
						Apr.	8.50
						May	8.50
						June	8.50
						July	8.50
						Aug.	8.50
						Sept.	8.50

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1994	1995	1996	1997				1997, week ending				
				May	June	July	Aug.	Aug. 1	Aug. 8	Aug. 15	Aug. 22	Aug. 29
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	4.21	5.83	5.30	5.50	5.56	5.52	5.54	5.57	5.62	5.45	5.59	5.56
2 Discount window borrowing[2,4]	3.60	5.21	5.02	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,5,6]												
3 1-month	4.43	5.93	5.43	5.61	5.60	5.56	5.55	5.57	5.55	5.57	5.53	5.55
4 3-month	4.66	5.93	5.41	5.69	5.65	5.57	5.56	5.57	5.56	5.57	5.55	5.55
5 6-month	4.93	5.93	5.42	5.78	5.69	5.60	5.59	5.57	5.58	5.61	5.58	5.58
Finance paper, directly placed[3,5,7]												
6 1-month	4.33	5.81	5.31	5.53	5.53	5.49	5.49	5.49	5.50	5.50	5.48	5.49
7 3-month	4.53	5.78	5.29	5.61	5.57	5.50	5.49	5.48	5.49	5.51	5.49	5.49
8 6-month	4.56	5.68	5.21	5.66	5.57	5.50	5.50	5.47	5.48	5.52	5.48	5.51
Bankers acceptances[3,5,8]												
9 3-month	4.56	5.81	5.31	5.62	5.59	5.53	5.53	5.51	5.53	5.53	5.52	5.53
10 6-month	4.83	5.80	5.31	5.71	5.63	5.54	5.56	5.50	5.56	5.58	5.56	5.55
Certificates of deposit, secondary market[3,9]												
11 1-month	4.38	5.87	5.35	5.58	5.57	5.54	5.54	5.53	5.53	5.55	5.53	5.55
12 3-month	4.63	5.92	5.39	5.70	5.66	5.60	5.60	5.58	5.60	5.61	5.58	5.60
13 6-month	4.96	5.98	5.47	5.87	5.78	5.70	5.71	5.66	5.70	5.73	5.69	5.72
14 Eurodollar deposits, 3-month[3,10]	4.63	5.93	5.38	5.69	5.66	5.61	5.58	5.56	5.56	5.63	5.56	5.56
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	4.25	5.49	5.01	5.05	4.93	5.05	5.14	5.11	5.15	5.17	5.12	5.13
16 6-month	4.64	5.56	5.08	5.30	5.13	5.12	5.19	5.14	5.21	5.21	5.15	5.18
17 1-year	5.02	5.60	5.22	5.54	5.38	5.24	5.27	5.19	5.25	5.29	5.24	5.29
Auction average[3,5,11]												
18 3-month	4.29	5.51	5.02	5.13	4.92	5.07	5.13	5.12	5.15	5.17	5.08	5.12
19 6-month	4.66	5.59	5.09	5.35	5.14	5.12	5.17	5.15	5.20	5.23	5.12	5.14
20 1-year	5.02	5.69	5.23	5.64	5.35	5.26	5.28	n.a.	n.a.	n.a.	5.28	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	5.32	5.94	5.52	5.87	5.69	5.54	5.56	5.48	5.55	5.59	5.54	5.59
22 2-year	5.94	6.15	5.84	6.28	6.09	5.89	5.94	5.81	5.94	5.95	5.90	5.98
23 3-year	6.27	6.25	5.99	6.42	6.24	6.00	6.06	5.90	6.06	6.08	6.01	6.11
24 5-year	6.69	6.38	6.18	6.57	6.38	6.12	6.16	6.00	6.15	6.17	6.12	6.22
25 7-year	6.91	6.50	6.34	6.66	6.46	6.20	6.29	6.08	6.25	6.33	6.26	6.35
26 10-year	7.09	6.57	6.44	6.71	6.49	6.22	6.30	6.11	6.26	6.33	6.27	6.36
27 20-year	7.49	6.95	6.83	7.02	6.84	6.56	6.65	6.44	6.59	6.70	6.65	6.71
28 30-year	7.37	6.88	6.71	6.94	6.77	6.51	6.58	6.38	6.52	6.61	6.57	6.63
Composite												
29 More than 10 years (long-term)	7.41	6.93	6.80	7.00	6.82	6.55	6.64	6.42	6.57	6.68	6.63	6.69
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	5.77	5.80	5.52	5.48	5.33	5.24	5.25	5.27	5.19	5.31	5.25	5.25
31 Baa	6.17	6.10	5.79	5.67	5.53	5.39	5.37	5.39	5.31	5.41	5.37	5.37
32 *Bond Buyer* series[14]	6.18	5.95	5.76	5.70	5.53	5.35	5.41	5.23	5.33	5.42	5.43	5.45
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	8.26	7.83	7.66	7.86	7.68	7.42	7.48	7.29	7.42	7.51	7.47	7.52
Rating group												
34 Aaa	7.97	7.59	7.37	7.58	7.41	7.14	7.22	7.01	7.15	7.26	7.22	7.28
35 Aa	8.15	7.72	7.55	7.80	7.62	7.36	7.40	7.24	7.36	7.42	7.38	7.46
36 A	8.28	7.83	7.69	7.86	7.68	7.42	7.46	7.29	7.42	7.48	7.44	7.52
37 Baa	8.63	8.20	8.05	8.20	8.02	7.75	7.82	7.62	7.76	7.86	7.85	7.82
38 A-rated, recently offered utility bonds[16]	8.29	7.86	7.77	8.01	7.85	7.62	7.67	7.54	7.71	7.64	7.74	7.68
MEMO												
Dividend–price ratio[17]												
39 Common stocks	2.82	2.56	2.19	1.85	1.77	1.66	1.65	1.62	1.60	1.67	1.64	1.69

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligation bonds based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moody's A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1994	1995	1996	1996	1997							
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	254.16	291.18	357.98	391.61	403.58	418.57	416.72	401.00	433.36	457.07	480.94	482.39
2 Industrial	315.32	367.40	453.57	494.38	509.18	524.30	523.08	506.69	549.65	578.57	610.42	609.54
3 Transportation	247.17	270.14	327.30	352.28	359.40	364.15	372.37	366.67	395.50	410.93	433.75	439.71
4 Utility	104.96	110.64	126.36	128.55	131.95	142.88	132.38	126.66	140.52	140.24	144.25	143.82
5 Finance	209.75	238.48	303.94	350.01	361.45	388.75	387.19	364.25	392.32	419 12	441.59	446.93
6 Standard & Poor's Corporation (1941–43 = 10)[2]	460.42	541 72	670 49	743.25	766.22	798.39	792.16	763.93	833.09	876.29	925.29	927.74
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	449.49	498.13	570.86	582.96	585.09	593.29	593.64	554.13	584.06	619.94	635.28	645.59
Volume of trading (thousands of shares)												
8 New York Stock Exchange	290,652	345,729	409,740	431,538	526,631	508,199	496,241	473,094	479,907	516,241	543,006	506,205
9 American Stock Exchange	17,951	20,387	22,567	23,648	24,019	21,250	19,232	19,122	19,634	23,277	25,562	24,095
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**61,160**	**76,680**	**97,400**	**97,400**	**99,460**	**100,000**	**100,160**	**98,870**	**106,010**	**113,440**	**116,190**	**119,810**
Free credit balances at brokers[5]												
11 Margin accounts[6]	14,095	16,250	22,540	22,540	22,870	22,200	22,930	22,700	22,050	23,860	24,290	23,375
12 Cash accounts	28,870	34,340	40,430	40,430	41,280	40,090	41,050	37,560	39,400	41,840	43,985	42,975

	Margin requirements (percent of market value and effective date)[7]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Daily data on prices are available upon request to the Board of Governors. For ordering address, see inside front cover.
2. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
3. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
4. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
5. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand
6. Series initiated in June 1984.
7. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968, and Regulation X, effective Nov. 1, 1971.

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1994	Fiscal year 1995	Fiscal year 1996	Calendar year 1997 Mar.	Apr.	May	June	July	Aug.
U.S. budget[1]									
1 Receipts, total	1,258,627	1,351,830	1,453,062	108,099	228,588	94,493	173,361	109,178	103,483
2 On-budget	923,601	1,000,751	1,085,570	73,869	187,997	63,146	135,922	79,599	70,902
3 Off-budget	335,026	351,079	367,492	34,230	40,591	31,347	37,439	29,579	32,581
4 Outlays, total	1,461,731	1,515,729	1,560,330	129,422	134,650	142,988	118,726	134,802	138,086
5 On-budget	1,181,469	1,227,065	1,259,872	100,427	107,842	112,625	105,267	107,049	109,223
6 Off-budget	279,372	288,664	300,458	28,996	26,807	30,362	13,459	27,753	28,862
7 Surplus or deficit (−), total	−203,104	−163,899	−107,268	−21,323	93,939	−48,494	54,635	−25,624	−34,603
8 On-budget	−258,758	−226,314	−174,302	−26,558	80,155	−49,479	30,655	−27,450	−38,321
9 Off-budget	55,654	62,415	67,034	5,234	13,784	985	23,980	1,826	3,719
Source of financing (total)									
10 Borrowing from the public	185,344	171,288	129,712	28,833	−39,001	−19,054	−11,147	−1,408	30,348
11 Operating cash (decrease, or increase (−))	16,564	−2,007	−6,276	−18,274	−55,908	72,532	−34,387	23,748	15,435
12 Other[2]	1,196	−5,382	−16,168	10,764	970	−4,984	−9,101	3,284	−11,180
MEMO									
13 Treasury operating balance (level, end of period)	35,942	37,949	44,225	33,496	89,404	16,872	51,259	27,511	12,076
14 Federal Reserve Banks	6,848	8,620	7,700	5,945	52,215	5,174	16,368	5,014	4,700
15 Tax and loan accounts	29,094	29,329	36,525	27,551	37,189	11,698	34,891	22,496	7,376

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

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

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government*.

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

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1995	1996	1995	1996		1997	1997		
			H2	H1	H2	H1	June	July	Aug.
RECEIPTS									
1 **All sources**	**1,351,830**	**1,453,062**	**656,865**	**767,099**	**707,551**	**845,552**	**173,361**	**109,178**	**103,483**
2 Individual income taxes, net	590,244	656,417	292,393	347,285	323,884	400,435	74,381	53,868	45,669
3 Withheld	499,927	533,080	256,916	264,177	279,988	292,252	44,802	51,812	43,156
4 Nonwithheld	175,855	212,168	45,521	162,782	53,491	191,050	31,395	4,003	4,244
5 Refunds	85,538	88,897	10,058	79,735	9,604	82,926	1,825	1,950	1,732
Corporation income taxes									
6 Gross receipts	174,422	189,055	88,302	96,480	95,364	106,451	40,541	5,442	3,854
7 Refunds	17,418	17,231	7,518	9,704	10,053	9,635	1,169	1,739	1,575
8 Social insurance taxes and contributions, net	484,473	509,414	224,269	277,767	240,326	288,251	48,612	40,572	46,201
9 Employment taxes and contributions[2]	451,045	476,361	211,323	257,446	227,777	268,357	47,933	38,066	41,861
10 Unemployment insurance	28,878	28,584	10,702	18,068	10,302	17,709	343	2,081	4,002
11 Other net receipts[3]	4,550	4,469	2,247	2,254	2,245	2,184	336	425	338
12 Excise taxes	57,484	54,014	30,014	25,682	27,016	28,084	5,185	5,369	4,593
13 Customs deposits	19,301	18,670	9,849	8,731	9,294	8,619	1,522	1,799	1,749
14 Estate and gift taxes	14,763	17,189	7,718	8,775	8,835	10,477	1,494	1,552	1,655
15 Miscellaneous receipts[4]	28,561	25,534	11,839	12,087	12,888	12,866	2,793	2,315	1,338
OUTLAYS									
16 **All types**	**1,515,729**	**1,560,330**	**752,856**	**785,368**	**800,184**	**797,443**	**118,726**	**134,802**	**138,086**
17 National defense	272,066	265,748	132,887	132,599	138,351[r]	131,525	20,613	22,944	24,259
18 International affairs	16,434	13,496	6,908	8,076	8,895	5,779	472	1,541	494
19 General science, space, and technology	16,724	16,709	7,970	8,897	9,498	8,939	1,565	1,763	1,643
20 Energy	4,936	2,836	1,992	1,356	806	801	−5	238	48
21 Natural resources and environment	22,078	21,614	11,392	10,254	11,642	9,688	1,622	1,909	1,555
22 Agriculture	9,778	9,159	3,065	73	10,698[r]	1,433	−255	−35	121
23 Commerce and housing credit	−17,808	−10,646	−3,947	−6,885	−5,866[r]	−7,575	779	−415	−1,917
24 Transportation	39,350	39,565	20,725	18,290	21,205	18,046	3,224	3,667	3,730
25 Community and regional development	10,641	10,685	5,569	5,245	6,192	5,699	1,207	958	865
26 Education, training, employment, and social services	54,263	52,001	26,212	25,979	26,033[r]	25,227	3,702	3,542	4,055
27 Health	115,418	119,378	57,128	59,989	61,466	61,808	10,595	9,821	10,024
28 Social security and Medicare	495,701	523,901	251,388	264,647	269,410	278,817	47,558	47,860	48,683
29 Income security	220,493	225,989	104,847	121,186	107,182	123,874	11,298	17,921	19,702
30 Veterans benefits and services	37,890	36,985	18,678	18,140	21,107	17,697	1,583	3,409	4,806
31 Administration of justice	16,216	17,548	8,091	9,015	9,595	10,643	1,883	1,863	1,484
32 General government	13,835	11,892	7,601	4,641	6,544	6,574	1,897	366	747
33 Net interest[5]	232,169	241,090	119,348	120,576	122,568	122,701	19,543	21,046	21,049
34 Undistributed offsetting receipts[6]	−44,455	−37,620	−26,995	−16,716	−25,140[r]	−24,234	−8,556	−3,594	−3,262

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

SOURCE. Fiscal year totals: U.S Office of Management and Budget, *Budget of the U.S Government, Fiscal Year 1998*; monthly and half-year totals. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1995			1996				1997	
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
1 **Federal debt outstanding**	**4,978**	**5,001**	**5,017**	**5,153**	**5,197**	**5,260**	**5,357**	**5,415**	**5,410**
2 Public debt securities	4,951	4,974	4,989	5,118	5,161	5,225	5,323	5,381	5,376
3 Held by public	3,635	3,653	3,684	3,764	3,739	3,778	3,826	3,874	n.a.
4 Held by agencies	1,317	1,321	1,305	1,354	1,422	1,447	1,497	1,507	n.a.
5 Agency securities	27	27	28	36	36	35	34	34	34
6 Held by public	27	27	28	28	28	27	27	26	n.a.
7 Held by agencies	0	0	0	8	8	8	8	8	n.a.
8 **Debt subject to statutory limit**	**4,861**	**4,885**	**4,900**	**5,030**	**5,073**	**5,137**	**5,237**	**5,294**	**5,290**
9 Public debt securities	4,861	4,885	4,900	5,030	5,073	5,137	5,237	5,294	5,290
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	5,500	5,500	5,500	5,500	5,500	5,500

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

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

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

Billions of dollars, end of period

Type and holder	1993	1994	1995	1996	1996		1997	
					Q3	Q4	Q1	Q2
1 **Total gross public debt**	**4,535.7**	**4,800.2**	**4,988.7**	**5,323.2**	**5,224.8**	**5,323.2**	**5,380.9**	**5,376.2**
By type								
2 Interest-bearing	4,532.3	4,769.2	4,964.4	5,317.2	5,220.8	5,317.2	5,375.1	5,370.5
3 Marketable	2,989.5	3,126.0	3,307.2	3,459.7	3,418.4	3,459.7	3,504.4	3,433.1
4 Bills	714.6	733.8	760.7	777.4	761.2	777.4	785.6	704.1
5 Notes	1,764.0	1,867.0	2,010.3	2,112.3	2,098.7	2,112.3	2,131.0	2,132.6
6 Bonds	495.9	510.3	521.2	555.0	543.5	555.0	565.4	565.4
7 Inflation-indexed notes[1]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.4	15.9
8 Nonmarketable[2]	1,542.9	1,643.1	1,657.2	1,857.5	1,802.4	1,857.5	1,870.8	1,937.4
9 State and local government series	149.5	132.6	104.5	101.3	95.7	101.3	104.8	107.9
10 Foreign issues[3]	43.5	42.5	40.8	37.4	37.5	37.4	36.8	35.4
11 Government	43.5	42.5	40.8	47.4	37.5	47.4	36.8	35.4
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	169.4	177.8	181.9	182.4	184.2	182.4	182.6	182.7
14 Government account series[4]	1,150.0	1,259.8	1,299.6	1,505.9	1,454.7	1,505.9	1,516.6	1,581.5
15 Non-interest-bearing	3.4	31.0	24.3	6.0	4.0	6.0	5.8	5.7
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,153.5	1,257.1	1,304.5	1,497.2	1,447.0	1,497.2	1,506.8	
17 Federal Reserve Banks	334.2	374.1	391.0	410.9	390.9	410.9	405.6	
18 Private investors	3,047.4	3,168.0	3,294.9	3,411.2	3,386.2	3,411.2	3,451.7	
19 Commercial banks	322.2	290.4	278.7	261.7[r]	274.8	261.7[r]	275.0	
20 Money market funds	80.8	67.6	71.5[r]	91.6[r]	85.2	91.6[r]	83.9	
21 Insurance companies	234.5	240.1	241.5	235.9[r]	235.6[r]	235.9[r]	236.5	
22 Other companies	213.0	224.5[r]	228.8	258.5	249.1	258.5	262.5	n.a.
23 State and local treasuries[6,7]	609.2[r]	540.2[r]	421.5[r]	358.0[r]	382.3[r]	358.0[r]	353.0	
Individuals								
24 Savings bonds	171.9	180.5	185.0	187.0	186.8	187.0	186.5	
25 Other securities	137.9	150.7	162.7	169.6	167.0	169.6	168.9	
26 Foreign and international[8]	623.0	688.6	862.2	1,131.8[r]	1,030.9	1,131.8[r]	1,199.1	
27 Other miscellaneous investors[7,9]	655.0[r]	785.5[r]	843.0[r]	717.1[r]	774.5[r]	717.1[r]	686.4	

1. The U.S. Treasury first issued inflation-indexed notes during the first quarter of 1997.
2. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
3. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
4. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6. Includes state and local pension funds.
7. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
8. Consists of investments of foreign balances and international accounts in the United States.
9. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

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

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

Millions of dollars, daily averages

Item	1997			1997, week ending								
	May	June	July	July 2	July 9	July 16	July 23	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	42,017	40,559	34,285	35,964	30,635	32,509	38,791	33,065	37,984	36,968	42,911	35,643
Coupon securities, by maturity												
2 Five years or less	107,517	112,860	102,092	112,630	92,504	98,686	109,764	95,979	128,597	126,523	104,348	113,125
3 More than five years	57,216	56,041	61,251	51,414	59,006	56,905	56,563	70,380	89,426	83,774	58,763	49,205
4 Federal agency	41,103	39,498	39,871	47,604	39,648	36,876	36,051	43,617	40,633	36,008	51,925	40,040
5 Mortgage-backed	39,712	48,439	50,317	40,589	68,903	54,575	38,158	45,711	57,973	63,852	41,189	34,619
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	120,714	118,504	110,830	108,794	100,433	105,229	116,955	113,020	142,913	141,650	117,316	115,088
7 Federal agency	1,003	1,378	1,460	1,389	2,053	1,253	1,063	1,710	1,006	909	1,234	1,859
8 Mortgage-backed	12,677	15,552	15,503	13,294	17,621	17,207	11,992	15,535	20,322	18,527	13,321	11,840
With other												
9 U.S. Treasury	86,036	90,956	86,798	91,213	81,713	82,870	88,162	86,404	113,095	105,615	88,705	82,886
10 Federal agency	40,100	38,120	38,411	46,215	37,595	35,623	34,989	41,907	39,628	35,098	50,692	38,181
11 Mortgage-backed	27,035	32,887	34,815	27,295	51,283	37,368	26,166	30,176	37,651	45,325	27,868	22,778
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	217	352	188	n.a.	n.a.	103	339	135	125	197	254	166
Coupon securities, by maturity												
13 Five years or less	2,014	2,430	1,399	2,433	1,082	1,354	1,196	1,425	1,700	2,322	1,550	2,812
14 More than five years	14,506	15,048	14,693	11,864	13,024	14,384	16,056	15,123	19,607	22,420	15,800	17,445
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	3,570	3,103	2,231	3,095	2,362	2,494	2,000	1,725	2,352	2,482	1,514	2,436
19 More than five years	5,024	4,018	6,038	4,271	8,238	4,791	6,506	5,726	6,224	6,146	4,922	7,981
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	560	408	576	304	887	290	557	711	715	473	634	555

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

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

Millions of dollars

Item	1997 May	1997 June	1997 July	1997, week ending July 2	July 9	July 16	July 23	July 30	Aug. 6	Aug. 13	Aug. 20
					Positions[2]						
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	−5,335	−1,305	−2,696	−7,425	−5,265	−3,117	−1,038	−1,960	10,935	5,179	2,701
Coupon securities, by maturity											
2 Five years or less	−22,394	−20,661	−15,429	−23,790	−18,706	−17,720	−12,025	−10,780	−16,112	−28,997	−35,270
3 More than five years	−18,077	−20,191	−21,652	−25,420	−21,965	−22,963	−20,857	−20,958	−13,167	−14,483	−18,062
4 Federal agency	29,451	31,556	36,617	29,693	31,388	42,158	36,535	38,716	34,147	32,110	33,278
5 Mortgage-backed	35,472	35,836	33,661	35,866	31,276	35,337	35,484	32,553	29,220	35,890	36,928
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	−974	633	303	1,355	1,535	1,311	−252	−1,461	−1,236	−669	−544
Coupon securities, by maturity											
7 Five years or less	3,100	2,705	3,187	3,676	3,119	3,740	2,769	2,751	4,797	7,946	7,678
8 More than five years	−11,685	−13,430	−17,588	−12,348	−15,715	−17,546	−18,512	−19,708	−20,172	−17,848	−15,650
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
12 Five years or less	848	2,660	2,361	1,621	2,506	2,273	2,448	2,572	1,344	−904	−137
13 More than five years	−671	2,466	4,960	2,857	3,643	1,833	7,081	7,709	6,198	6,003	6,814
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage-backed	2,210	240	470	439	249	43	521	955	1,325	636	1,565
					Financing[5]						
Reverse repurchase agreements											
16 Overnight and continuing	293,697	290,312	296,334	299,419	304,295	295,803	285,438	296,772	311,349	283,101	318,142
17 Term	552,156	592,367	601,067	542,271	574,692	584,084	626,375	630,423	639,511	677,434	606,312
Securities borrowed											
18 Overnight and continuing	216,864	213,510	213,183	219,116	214,131	214,489	214,679	207,173	217,146	209,796	213,882
19 Term	78,569	87,422	91,863	83,907	91,447	92,001	95,797	89,853	96,254	95,296	94,625
Securities received as pledge											
20 Overnight and continuing	4,104	8,826	8,712	10,706	9,885	8,501	8,092	7,940	7,730	8,374	8,217
21 Term	188	163	121	156	137	116	117	104	107	99	89
Repurchase agreements											
22 Overnight and continuing	602,889	626,329	642,431	623,786	634,318	651,834	638,716	645,874	672,600	646,334	672,755
23 Term	500,610	538,571	550,542	492,997	516,923	532,333	582,543	581,231	589,607	635,022	554,278
Securities loaned											
24 Overnight and continuing	6,399	6,774	7,843	7,330	7,473	7,812	8,524	7,692	7,954	7,752	8,580
25 Term	4,352	4,574	4,688	4,497	4,394	4,293	4,990	4,980	5,750	6,150	4,979
Securities pledged											
26 Overnight and continuing	62,667	61,239	54,921	59,623	58,453	55,283	52,747	52,033	53,696	52,199	53,276
27 Term	2,956	1,736	1,904	2,009	2,052	2,025	1,858	1,646	1,943	2,554	2,242
Collateralized loans											
28 Overnight and continuing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
30 Total	12,391	13,374	14,547	11,757	13,272	13,790	13,679	17,811	17,590	16,535	17,595
MEMO: Matched book[6]											
Securities in											
31 Overnight and continuing	298,289	290,345	291,783	298,739	305,482	294,008	281,480	282,362	304,460	276,360	293,653
32 Term	531,303	575,636	587,039	527,780	565,779	569,975	610,930	613,564	620,921	656,596	590,223
Securities out											
33 Overnight and continuing	363,061	380,179	381,031	370,136	384,736	383,121	376,160	379,418	407,652	377,356	396,674
34 Term	432,788	461,838	474,771	425,473	446,662	453,947	500,175	507,676	507,726	549,360	461,382

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day, continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1993	1994	1995	1996	1997 Feb.	1997 Mar.	1997 Apr.	1997 May	1997 June
1 **Federal and federally sponsored agencies**	**570,711**	**738,928**	**844,611**	**925,823**	**927,400**	**929,809**	**960,491**	**974,331**	**972,731**
2 Federal agencies	45,193	39,186	37,347	29,380	29,303	28,989	27,762	28,011	27,646
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	5,315	3,455	2,050	1,447	1,437	1,363	1,357	1,357	1,357
5 Federal Housing Administration[4]	255	116	97	84	146	26	31	32	37
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	29,885	27,536	29,429	27,853	27,714	27,594	27,756	28,005	27,640
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies[7]	523,452	699,742	807,264	896,443	898,097	900,820	932,729	946,320	945,085
11 Federal Home Loan Banks	139,512	205,817	243,194	263,404	255,407	266,456	277,880	284,861	290,028
12 Federal Home Loan Mortgage Corporation	49,993	93,279	119,961	156,980	161,532	153,621	162,872	167,407	161,900
13 Federal National Mortgage Association	201,112	257,230	299,174	331,270	332,046	336,174	341,789	344,350	345,462
14 Farm Credit Banks[8]	53,123	53,175	57,379	60,053	60,075	60,884	60,945	61,384	62,075
15 Student Loan Marketing Association[9]	39,784	50,335	47,529	44,763	48,707	43,105	48,515	47,620	44,841
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	53,243	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**128,187**	**103,817**	**78,681**	**58,172**	**57,625**	**53,688**	n.a.	**51,866**	**50,962**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	5,309	3,449	2,044	1,431	1,431	1,357	1,357	1,357	1,357
21 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
22 Student Loan Marketing Association	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	6,325	3,200	3,200	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	38,619	33,719	21,015	18,325	17,875	16,675	16,675	16,505	15,455
26 Rural Electrification Administration	17,578	17,392	17,144	16,702	16,710	15,696	15,696	15,674	15,679
27 Other	45,864	37,984	29,513	21,714	21,609	21,317	23,919	18,330	18,471

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation; therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1994	1995	1996	1997							
				Jan.	Feb.	Mar.	Apr.	May	June[r]	July[r]	Aug.
1 **All issues, new and refunding**[1]	**153,950**	**145,657**	**171,222**	**10,340**	**12,052**	**13,701**	**15,741**	**15,447**	**19,376**	**16,134**	**15,302**
By type of issue											
2 General obligation	54,404	56,980	60,409	4,160	4,287	5,491	6,224	5,741	6,145	7,446	5,098
3 Revenue	99,546	88,677	110,813	6,180	7,765	8,210	9,517	9,706	13,231	8,688	10,204
By type of issuer											
4 State	19,186	14,665	13,651	728	713	4,037	1,126	1,219	1,197	1,985	1,385
5 Special district or statutory authority[2]	95,896	93,500	113,228	6,306	8,341	7,206	11,124	9,666	13,810	10,182	9,243
6 Municipality, county, or township	38,868	37,492	44,343	3,306	2,998	2,458	3,491	4,562	4,369	3,967	4,674
7 **Issues for new capital**	**105,972**	**102,390**	**112,298**	**6,106**	**8,409**	**8,736**	**11,835[r]**	**10,507**	**14,536**	**9,169**	**8,702**
By use of proceeds											
8 Education	21,267	23,964	26,851	1,974	1,924	2,330	3,264	2,844	3,498	2,689	2,742
9 Transportation	10,836	11,890	12,324	808	639	393	1,873	1,225	638	666	1,233
10 Utilities and conservation	10,192	9,618	9,791	749	901	954	425	1,608	1,615	1,429	591
11 Social welfare	20,289	19,566	24,583	1,265	1,281	2,644	1,929	1,291	4,438	1,777	1,654
12 Industrial aid	8,161	6,581	6,287	231	481	317	765	462	637	282	787
13 Other purposes	35,227	30,771	32,462	1,079	3,183	2,098	3,220	3,077	3,710	2,326	1,695

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

SOURCE. Securities Data Company beginning January 1990; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1994	1995	1996	1996	1997						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 **All issues**[1]	**583,240**	n.a.	n.a.	**48,747**	**57,186**	**53,027**	**62,411**	**43,956**	**54,750[r]**	**82,558**	**64,439**
2 **Bonds**[2]	**498,039**	**573,206**	n.a.	**39,585**	**44,027**	**44,980**	**54,632**	**37,672**	**46,738[r]**	**71,588**	**55,420**
By type of offering											
3 Public, domestic	365,222	408,804	386,280	37,108	35,449	35,245	45,886	29,797	38,594[r]	59,621	43,666
4 Private placement, domestic[3]	76,065	87,492	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	56,755	76,910	74,793	2,477	8,577	9,735	8,746	7,875	8,144	11,967	11,755
By industry group											
6 Manufacturing	43,423	61,070	41,959	5,096	4,088	4,791	3,060	2,276	2,355	3,748	7,780
7 Commercial and miscellaneous	40,735	50,689	34,076	1,727	4,926	2,004	1,641	6,201	2,104[r]	2,771	4,579
8 Transportation	6,867	8,430	5,111	341	366	100	324	257	6,566[r]	424	544
9 Public utility	13,322	13,751	8,161	680	858	1,476	1,185	47	653	1,377	3,674
10 Communication	13,340	22,999	13,320	628	1,210	405	2,802	500	300	576	1,304
11 Real estate and financial	380,352	416,269	358,446	31,113	32,578	36,204	45,619	28,391	34,761[r]	62,692	37,540
12 **Stocks**[2]	**85,155**	**100,573**	n.a.	**9,162**	**13,159**	**8,047**	**7,779**	**6,284**	**8,012**	**10,970**	**9,019**
By type of offering											
13 Public preferred	12,570	10,917	33,208	5,452	8,048	1,510	2,740	1,952	2,055	3,846	649
14 Common	47,828	57,556	83,052	3,710	5,111	6,537	5,039	4,332	5,957	7,124	9,668
15 Private placement[3]	24,800	32,100		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.
By industry group											
16 Manufacturing	17,798	21,545		899	608	2,008	1,136	847	1,594	968	1,344
17 Commercial and miscellaneous	15,713	27,844	n.a.	2,922	1,827	3,041	1,923	1,181	1,912	2,938	2,804
18 Transportation	2,203	804		54	250	258	0	0	35	272	563
19 Public utility	2,214	1,936		103	1,847	96	841	570	200	1,046	483
20 Communication	494	1,077		23	0	28	0	25	0	374	120
21 Real estate and financial	46,733	47,367		5,161	8,292	2,575	3,879	3,661	4,219	5,384	3,828

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCE. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1995	1996	1997							
			Jan.	Feb.	Mar.	Apr.	May	June[r]	July	Aug.
1 **Sales of own shares**[2]	**871,415**	**1,149,918**	**134,460**	**102,169**	**101,390**	**110,721**	**103,470**	**112,318**	**125,710**	**115,444**
2 Redemptions of own shares	699,497	853,460	96,243	73,871	79,976	100,188	76,337	86,759	90,095	85,503
3 Net sales[3]	171,918	296,458	38,218	28,298	21,413	10,532	27,133	25,559	35,615	29,941
4 **Assets**[4]	**2,067,337**	**2,637,398**	**2,752,273**	**2,772,715**	**2,700,474**	**2,782,077**	**2,952,609**	**3,067,565**	**3,279,535**	**3,199,871**
5 Cash[5]	142,572	139,396	152,297	153,525	160,570	177,979	182,004	180,552	182,122	180,624
6 Other	1,924,765	2,498,002	2,599,976	2,619,189	2,539,906	2,604,098	2,770,606	2,887,013	3,097,413	3,019,247

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

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

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1994	1995	1996	1995		1996				1997	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[r]
1 Profits with inventory valuation and capital consumption adjustment	570.5	650.0	735.9	672.8	685.7	717.7	738.5	739.6	747.8	779.6	795.1
2 Profits before taxes	535.1	622.6	676.6	630.6	634.1	664.9	682.2	679.1	680.0	708.4	719.8
3 Profits-tax liability	186.6	213.2	229.0	218.8	215.3	226.2	232.2	231.6	226.0	241.2	244.5
4 Profits after taxes	348.5	409.4	447.6	411.8	418.8	438.7	450.0	447.5	454.0	467.2	475.3
5 Dividends	216.2	264.4	304.8	266.8	274.4	300.7	303.7	305.7	309.1	326.8	333.0
6 Undistributed profits	132.3	145.0	142.8	145.0	144.5	138.0	146.4	141.8	144.9	140.3	142.3
7 Inventory valuation	−16.1	−24.3	−2.5	−9.3	.4	−5.1	−5.4	−2.7	3.3	3.5	5.9
8 Capital consumption adjustment	51.4	51.6	61.8	51.5	51.1	57.9	61.6	63.2	64.4	67.7	69.4

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1994	1995	1996	1995	1996				1997	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
1 Accounts receivable, gross[2]	543.7	607.0	637.1	607.0	613.7	626.7	628.1	637.1	647.2	650.7
2 Consumer	201.9	233.0	244.9	233.0	235.9	240.6	244.4	244.9	248.6	254.3
3 Business	274.9	301.6	309.5	301.6	303.5	305.7	301.4	309.5	315.2	311.7
4 Real estate	66.9	72.4	82.7	72.4	74.3	80.4	82.2	82.7	83.4	84.8
5 LESS: Reserves for unearned income	52.9	60.7	55.6	60.7	58.9	57.2	54.8	55.6	51.3	57.0
6 Reserves for losses	11.3	12.8	13.1	12.8	12.8	12.7	12.9	13.1	12.8	13.3
7 Accounts receivable, net	479.5	533.5	568.3	533.5	542.0	556.7	560.5	568.3	583.1	580.4
8 All other	216.8	250.9	290.0	250.9	255.0	258.7	268.7	290.0	289.9	308.1
9 **Total assets**	**696.3**	**784.4**	**858.3**	**784.4**	**796.9**	**815.4**	**829.2**	**858.3**	**873.0**	**888.6**
LIABILITIES AND CAPITAL										
10 Bank loans	14.8	15.3	19.7	15.3	15.4	17.7	18.3	19.7	18.4	18.9
11 Commercial paper	171.6	168.6	177.6	168.6	168.2	169.6	173.1	177.6	185.3	193.8
Debt										
12 Owed to parent	41.8	51.1	60.3	51.1	50.5	56.3	57.9	60.3	61.0	61.4
13 Not elsewhere classified	247.4	300.0	332.5	300.0	307.5	319.0	322.3	332.5	324.4	344.6
14 All other liabilities	146.2	163.6	174.7	163.6	165.6	163.2	164.8	174.7	189.1	170.9
15 Capital, surplus, and undivided profits	74.6	85.9	93.5	85.9	89.7	89.7	92.8	93.5	94.8	98.8
16 **Total liabilities and capital**	**696.3**	**784.4**	**858.3**	**784.4**	**796.9**	**815.4**	**829.2**	**858.3**	**873.0**	**888.6**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.
2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

Type of credit	1994	1995	1996	1997					
				Feb.	Mar.	Apr.	May	June	July
	Seasonally adjusted								
1 **Total**	**607.3**	**682.4**	**762.4**	**767.7**	**773.8**	**775.6**	**775.9**	**782.9[r]**	**788.0**
2 Consumer	244.4	281.9	306.6	311.3	312.5	318.2	318.5	320.8[r]	323.6
3 Real estate	66.9	72.4	111.9	112.8	115.5	116.9	118.0	120.1[r]	121.8
4 Business	295.9	328.1	343.8	343.5	345.8	340.5	339.3	342.0	342.5
	Not seasonally adjusted								
5 **Total**	**613.5**	**689.5**	**769.7**	**766.2**	**775.0**	**776.6**	**777.8**	**786.9[r]**	**782.2**
6 Consumer	248.0	285.8	310.6	309.9	311.0	315.6	317.5	320.9[r]	322.6
7 Motor vehicles loans	70.2	81.1	86.7	87.1	85.8	83.2	85.1	87.0	88.8
8 Motor vehicle leases	67.5	80.8	92.5	94.3	95.6	96.7	97.3	98.5	99.5
9 Revolving[2]	25.9	28.5	32.5	32.2	33.2	34.3	34.4	34.0[r]	33.1
10 Other[3]	38.4	42.6	33.2	34.0	34.0	34.3	34.7	34.8[r]	34.7
Securitized assets[4]									
11 Motor vehicle loans	32.8	34.8	36.8	34.2	34.5	38.3	36.8	37.8[r]	38.0
12 Motor vehicle leases	2.2	3.5	8.7	8.5	8.4	9.4	9.3	9.2[r]	9.0
13 Revolving	n.a.	n.a.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14 Other	11.2	14.7	20.1	19.7	19.6	19.3	19.9	19.7	19.5
15 Real estate	66.9	72.4	111.9	112.8	115.5	116.9	118.0	120.1[r]	121.8
16 One- to four-family	n.a.	n.a.	52.1	53.8	53.3	55.0	54.9	54.5[r]	56.8
17 Other	n.a.	n.a.	30.5	30.2	30.1	30.3	30.3	30.3	30.3
Securitized real estate assets[4]									
18 One- to four-family	n.a.	n.a.	28.9	28.5	31.8	31.3	32.5	35.0	34.4
19 Other	n.a.	n.a.	0.4	0.3	0.4	0.3	0.3	0.3	0.3
20 Business	298.6	331.2	347.2	343.4	348.5	344.1	342.2	345.9	337.8
21 Motor vehicles	62.0	66.5	67.1	71.0	73.8	71.7	70.4	70.7	63.6
22 Retail loans	18.5	21.8	25.1	25.0	25.1	24.6	24.4	25.2	24.4
23 Wholesale loans[5]	35.2	36.6	33.0	36.9	39.6	37.9	36.6	36.3	29.9
24 Leases	8.3	8.0	9.0	9.1	9.1	9.2	9.3	9.3	9.3
25 Equipment	8.3	8.0	9.0	190.8	192.1	189.9	188.0	188.8	188.3
26 Loans	8.3	8.0	9.0	54.5	55.0	53.8	52.3	52.6	51.7
27 Leases	8.3	8.0	9.0	136.3	137.1	136.1	135.6	136.2	136.6
28 Other business receivables[6]	8.3	8.0	9.0	48.3	49.3	49.6	50.3	52.2	51.6
Securitized assets[4]									
29 Motor vehicles	8.3	8.0	9.0	20.7	20.5	20.3	21.1	21.3	19.9
30 Retail loans	8.3	8.0	9.0	2.4	2.2	2.1	2.6	2.5	2.4
31 Wholesale loans	8.3	8.0	9.0	18.3	18.2	18.2	18.5	18.7	17.4
32 Leases	8.3	8.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0
33 Equipment	8.3	8.0	9.0	10.3	10.3	9.9	9.9	10.4	12.0
34 Loans	8.3	8.0	9.0	4.2	4.0	3.8	4.0	3.9	4.2
35 Leases	8.3	8.0	9.0	6.0	6.3	6.2	5.9	6.5	7.8
36 Other business receivables[6]	8.3	8.0	9.0	2.4	2.5	2.6	2.5	2.5	2.5

NOTE. This table has been revised to incorporate several changes resulting from the benchmarking of finance company receivables to the June 1996 Survey of Finance Companies. In that benchmark survey, and in the monthly surveys that have followed, more detailed breakdowns have been obtained for some components. In addition, previously unavailable data on securitized real estate loans are now included in this table. The new information has resulted in some reclassification of receivables among the three major categories (consumer, real estate, and business) and in discontinuities in some component series between May and June 1996.

Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

1. Owned receivables are those carried on the balance sheet of the institution. Managed receivables are outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator. Data are shown before deductions for unearned income and losses. Components may not sum to totals because of rounding.

2. Excludes revolving credit reported as held by depository institutions that are subsidiaries of finance companies.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, boats, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

6. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1994	1995	1996	1997 Feb.	1997 Mar.	1997 Apr.	1997 May	1997 June	1997 July	1997 Aug.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	170.4	175.8	182.4	166.6	169.2	172.5	177.6	181.4	181.4	191.2
2 Amount of loan (thousands of dollars)	130.8	134.5	139.2	130.9	132.1	134.8	137.7	140.6	142.7	148.2
3 Loan-to-price ratio (percent)	78.8	78.6	78.2	80.9	80.8	81.1	80.0	79.9	81.2	79.8
4 Maturity (years)	27.5	27.7	27.2	28.2	28.0	27.8	28.2	28.0	28.7	28.2
5 Fees and charges (percent of loan amount)[2]	1.29	1.21	1.21	1.03	0.99	1.04	1.00	1.04	1.05	1.06
Yield (percent per year)										
6 Contract rate[1]	7.26	7.65	7.56	7.61	7.72	7.86	7.85	7.79	7.62	7.42
7 Effective rate[1,3]	7.47	7.85	7.77	7.78	7.88	8.03	8.01	7.95	7.78	7.59
8 Contract rate (HUD series)[4]	8.58	8.05	8.03	7.94	8.25	8.19	8.08	7.82	7.62	7.67
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.68	8.18	8.19	8.08	8.55	8.56	8.05	8.02	7.61	8.02
10 GNMA securities[6]	7.96	7.57	7.48	7.37	7.69	7.80	7.59	7.37	7.04	7.16
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	222,057	253,511	287,052	288,951	292,115	295,804	297,023	297,471	300,439	304,528
12 FHA/VA insured	27,558	28,762	30,592	30,119	30,100	30,839	31,437	31,198	31,065	31,193
13 Conventional	194,499	224,749	256,460	258,832	262,015	264,965	265,586	266,273	269,374	273,335
14 Mortgage transactions purchased (during period)	62,389	56,598	68,618	3,029	5,839	6,683	4,148	3,594	6,417	7,606
Mortgage commitments (during period)										
15 Issued[7]	54,038	56,092	65,859	4,407	8,299	3,898	1,704	6,196	6,956	5,960
16 To sell[8]	1,820	360	130	0	1	0	23	115	75	219
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	72,693	107,424	137,755	139,925	144,558	147,190	148,698	149,250	151,582	155,169
18 FHA/VA insured	276	267	220	213	208	205	210	210	210	210
19 Conventional	72,416	107,157	137,535	139,712	144,350	146,985	148,488	149,040	151,372	154,959
Mortgage transactions (during period)										
20 Purchases	124,697	98,470	128,566	8,204	7,403	8,981	8,195	8,884	8,374	9,917
21 Sales	117,110	85,877	119,702	10,271	6,796	8,269	7,596	8,321	7,757[r]	9,187
22 Mortgage commitments contracted (during period)[9]	136,067	118,659	128,995	7,537	7,595	9,746	7,408	9,099	9,054	9,913

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1993	1994	1995	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2[p]
1 **All holders**	**4,261,151[r]**	**4,462,816[r]**	**4,691,812[r]**	**4,861,363[r]**	**4,940,700[r]**	**5,022,445[r]**	**5,080,199**	**5,162,447**
By type of property								
2 One- to four-family residences	3,225,011[r]	3,424,018[r]	3,616,440[r]	3,719,650[r]	3,792,425[r]	3,850,579[r]	3,898,042	3,955,964
3 Multifamily residences	270,380	275,287[r]	287,593[r]	301,063[r]	305,081[r]	312,984[r]	315,578	321,955
4 Nonfarm, nonresidential	685,021[r]	680,540[r]	703,218[r]	754,457[r]	756,462[r]	771,749[r]	778,940	795,708
5 Farm	80,739[r]	82,971[r]	84,561[r]	86,193[r]	86,732[r]	87,134[r]	87,639	88,821
By type of holder								
6 Major financial institutions	1,763,410[r]	1,811,018[r]	1,884,714[r]	1,919,622	1,945,088	1,968,859[r]	1,983,813	2,021,318
7 Commercial banks[2]	940,603[r]	1,003,923[r]	1,080,483[r]	1,099,643	1,112,914	1,135,133[r]	1,149,721	1,186,255
8 One- to four-family	556,660	611,092[r]	663,715[r]	670,756	678,565[r]	692,180[r]	702,553	727,211
9 Multifamily	38,657	39,346[r]	43,837[r]	45,368	46,410[r]	46,676[r]	47,620	48,752
10 Nonfarm, nonresidential	324,420[r]	330,934[r]	349,101[r]	358,956	363,124[r]	371,394[r]	374,317	384,232
11 Farm	20,866	22,551[r]	23,830[r]	24,563	24,815	24,883	25,231	26,060
12 Savings institutions[3]	598,435[r]	596,191	596,763[r]	611,735	628,037	628,335[r]	627,564	629,045
13 One- to four-family	470,000	477,626	482,353[r]	498,219	513,794[r]	513,712[r]	514,575	516,699
14 Multifamily	67,366[r]	64,343	61,987[r]	60,680	61,308[r]	61,570[r]	60,645	60,102
15 Nonfarm, nonresidential	60,764[r]	53,933	52,135[r]	52,522	52,614[r]	52,723[r]	52,007	51,906
16 Farm	305	289	288	315	320	331	336	338
17 Life insurance companies	224,372	210,904	207,468	208,244	204,138	205,390[r]	206,529	206,018
18 One- to four-family	8,593	7,018	7,316	7,270	6,190	6,772[r]	6,799	6,684
19 Multifamily	25,376	23,902	23,435	23,534	23,155	23,197[r]	23,320	23,251
20 Nonfarm, nonresidential	180,934	170,421	167,095	167,800	165,096	165,399[r]	166,277	165,779
21 Farm	9,469	9,563	9,622	9,640	9,697	10,022[r]	10,133	10,304
22 Federal and related agencies	326,040[r]	315,580[r]	306,774[r]	305,963[r]	302,793[r]	300,935[r]	295,203	292,966
23 Government National Mortgage Association	22	6	2	2	2	2	6	7
24 One- to four-family	15	6	2	2	2	2	6	7
25 Multifamily	7	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,386	41,781	41,791	41,547	41,575	41,596	41,485	41,400
27 One- to four-family	18,030[r]	18,098[r]	17,705[r]	17,396[r]	17,374[r]	17,303[r]	17,175	17,239
28 Multifamily	10,940	11,319	11,617	11,645	11,652	11,685	11,692	11,706
29 Nonfarm, nonresidential	5,406	5,670	6,248	6,552	6,681	6,841	6,969	7,135
30 Farm	7,012[r]	6,694[r]	6,221[r]	5,954[r]	5,869[r]	5,768[r]	5,649	5,321
31 Federal Housing and Veterans' Administrations	12,215	10,964	9,809	8,052	6,627	6,244	4,330	4,200
32 One- to four-family	5,364	4,753	5,180	3,861	3,190	3,524	2,335	2,299
33 Multifamily	6,851	6,211	4,629	4,191	3,438	2,719	1,995	1,900
34 Resolution Trust Corporation	17,284	10,428	1,864	0	0	0	0	0
35 One- to four-family	7,203	5,200	691	0	0	0	0	0
36 Multifamily	5,327	2,859	647	0	0	0	0	0
37 Nonfarm, nonresidential	4,754	2,369	525	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	14,112	7,821	4,303	5,016	4,025	2,431	2,217	1,816
40 One- to four-family	2,367	1,049	492	840	675	365	333	272
41 Multifamily	1,426	1,595	428	955	766	413	377	309
42 Nonfarm, nonresidential	10,319	5,177	3,383	3,221	2,584	1,653	1,508	1,235
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	165,668[r]	174,312[r]	176,824[r]	176,692[r]	175,472[r]	174,556[r]	172,829	170,386
45 One- to four-family	150,336[r]	158,413[r]	161,322[r]	161,407[r]	160,541[r]	160,205[r]	159,056	157,167
46 Multifamily	15,332	15,899	15,502[r]	15,285[r]	14,931[r]	14,351[r]	13,773	13,219
47 Federal Land Banks	28,460	28,555	28,428	29,362	29,579	29,602	29,668	29,963
48 One- to four-family	1,675	1,671	1,673	1,728	1,740	1,742	1,746	1,763
49 Farm	26,785	26,885	26,755	27,634	27,839	27,860	27,922	28,200
50 Federal Home Loan Mortgage Corporation	46,892	41,712	43,753[r]	45,292[r]	45,513[r]	46,504[r]	44,668	45,194
51 One- to four-family	44,345	38,882	39,901[r]	41,095[r]	41,149[r]	41,758[r]	39,640	40,092
52 Multifamily	2,547	2,830	3,852	4,197	4,364	4,746	5,028	5,102
53 Mortgage pools or trusts[5]	1,570,691[r]	1,726,365[r]	1,861,489[r]	1,963,345[r]	2,008,356[r]	2,056,276[r]	2,099,448	2,134,311
54 Government National Mortgage Association	414,066	450,934	472,283[r]	485,316[r]	497,018[r]	506,340[r]	513,471	520,938
55 One- to four-family	404,864	441,198	461,438[r]	473,825[r]	485,073[r]	494,158[r]	500,591	507,618
56 Multifamily	9,202	9,736	10,845	11,491	11,945	12,182	12,880	13,320
57 Federal Home Loan Mortgage Corporation	447,147	490,851	515,051	536,671	545,608	554,260	562,894	567,187
58 One- to four-family	442,612	487,725	512,238	534,238	543,341	551,513	560,369	564,445
59 Multifamily	4,535	3,126	2,813	2,433	2,267	2,747	2,525	2,742
60 Federal National Mortgage Association	495,525	530,343	582,959	621,285	636,362	650,780	663,668	673,931
61 One- to four-family	486,804	520,763	569,724	606,271	619,869	633,210	645,324	654,826
62 Multifamily	8,721	9,580	13,235	15,014	16,493	17,570	18,344	19,105
63 Farmers Home Administration[4]	28	19	11	9	7	3	3	2
64 One- to four-family	5	3	2	1	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	13	9	5	4	4	0	0	0
67 Farm	10	7	4	4	3	3	3	2
68 Private mortgage conduits	213,925[r]	254,218[r]	291,185[r]	320,064[r]	329,360[r]	344,894[r]	359,413	372,253
69 One- to four-family[6]	179,755[r]	202,519[r]	222,526[r]	238,715[r]	244,884[r]	247,740[r]	256,834	259,950
70 Multifamily	8,701	14,925	21,279	26,809	28,141	33,689	35,498	39,461
71 Nonfarm, nonresidential	25,469	36,774	47,380	54,541	56,336	63,464	67,081	72,842
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	601,010[r]	609,853[r]	638,836[r]	672,433[r]	684,462[r]	696,375[r]	701,735	713,853
74 One- to four-family	446,383[r]	448,002[r]	470,163[r]	464,027[r]	476,038[r]	486,395[r]	490,708	499,692
75 Multifamily	65,393	69,615	73,486[r]	79,462[r]	80,212[r]	81,438[r]	81,880	82,987
76 Nonfarm, nonresidential	72,943	75,253[r]	77,345[r]	110,862[r]	110,023[r]	110,275[r]	110,781	112,579
77 Farm	16,292[r]	16,983[r]	17,841[r]	18,083[r]	18,190[r]	18,268[r]	18,366	18,595

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Includes securitized home equity loans.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1994	1995	1996	1997 Feb.	1997 Mar.	1997 Apr.	1997 May	1997 June[r]	1997 July
				Seasonally adjusted					
1 **Total**	**964,568**	**1,100,712**	**1,184,022**	**1,202,838[r]**	**1,205,508[r]**	**1,215,133[r]**	**1,217,846[r]**	**1,218,616**	**1,225,127**
2 Automobile	326,356	362,097	390,308	390,823	390,450	394,260	394,399	395,315	398,921
3 Revolving	364,616	441,862	497,977	510,617	509,476	512,381	514,126	516,508	521,905
4 Other[2]	273,596	296,753	295,738	301,398[r]	305,583[r]	308,492[r]	309,322[r]	306,793	304,301
				Not seasonally adjusted					
5 **Total**	**988,079**	**1,128,618**	**1,214,882**	**1,197,129[r]**	**1,193,945[r]**	**1,203,255[r]**	**1,207,669[r]**	**1,212,982**	**1,218,078**
By major holder									
6 Commercial banks	462,923	507,753	529,417	518,557[r]	511,535[r]	517,261[r]	518,762[r]	517,048	521,286
7 Finance companies	134,421	152,123	152,391	153,275	152,995	151,897	154,177	155,805	156,623
8 Credit unions	119,594	131,939	144,148	143,788	144,415	146,265	147,558	148,674	150,121
9 Savings institutions	38,468	40,106	44,711	45,478	45,860	46,243	46,626	47,009	47,392
10 Nonfinancial business[3]	86,621	85,061	77,745	70,599	69,954	69,346	67,744	68,039	67,625
11 Pools of securitized assets[4]	146,052	211,636	266,470	265,432	269,186	272,243	272,802	276,407	275,031
By major type of credit[5]									
12 Automobile	328,576	364,726	393,189	387,539	386,713	389,844	391,259	394,429	399,004
13 Commercial banks	141,895	149,094	153,983	151,826	150,458	150,937	151,203	149,029	151,465
14 Finance companies	70,157	81,073	86,690	87,064	85,754	83,230	85,106	86,979	88,809
15 Pools of securitized assets[4]	36,689	44,635	52,363	48,195	49,334	53,504	51,505	53,731	52,823
16 Revolving	383,187	464,134	522,860	508,559	502,850	504,916	509,207	513,257	516,758
17 Commercial banks	182,021	210,298	228,615	215,772	207,251	209,031	212,796	215,342	219,649
18 Finance companies	25,880	28,460	32,493	32,206	33,225	34,345	34,411	34,011	33,076
19 Nonfinancial business[3]	56,790	53,525	44,901	39,813	39,433	38,953	37,078	37,283	36,791
20 Pools of securitized assets[4]	96,130	147,934	188,712	192,332	194,549	193,798	195,800	196,906	196,779
21 Other	276,316	299,758	298,833	301,031[r]	304,382[r]	308,495[r]	307,203[r]	305,296	302,316
22 Commercial banks	139,007	148,361	146,819	150,959[r]	153,826[r]	157,293[r]	154,763[r]	152,677	150,172
23 Finance companies	38,384	42,590	33,208	34,005	34,016	34,322	34,660	34,815	34,738
24 Nonfinancial business[3]	29,831	31,536	32,844	30,786	30,521	30,393	30,666	30,756	30,834
25 Pools of securitized assets[4]	13,233	19,067	25,395	24,905	25,303	24,941	25,497	25,770	25,429

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1994	1995	1996	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.	1997 May	1997 June	1997 July
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.12	9.57	9.05	n.a.	8.92	n.a.	n.a.	9.20	n.a.	n.a.
2 24-month personal	13.19	13.94	13.54	n.a.	13.46	n.a.	n.a.	13.81	n.a.	n.a.
Credit card plan										
3 All accounts	15.69	16.02	15.63	n.a.	15.88	n.a.	n.a.	15.75	n.a.	n.a.
4 Accounts assessed interest	15.77	15.79	15.50	n.a.	15.13	n.a.	n.a.	15.72	n.a.	n.a.
Auto finance companies										
5 New car	9.79	11.19	9.84	7.17	7.44	8.08	8.56	7.80	7.64	6.71
6 Used car	13.49	14.48	13.53	12.93	13.08	13.18	13.29	13.48	13.55	13.51
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.0	54.1	51.6	55.1	54.6	53.5	52.8	53.2	53.3	54.6
8 Used car	50.2	52.2	51.4	51.5	51.1	51.1	51.2	51.3	51.3	51.4
Loan-to-value ratio										
9 New car	92	92	91	92	92	90	91	93	93	94
10 Used car	99	99	100	99	99	99	99	99	99	99
Amount financed (dollars)										
11 New car	15,375	16,210	16,987	17,090	16,837	17,198	17,620	18,060	18,171	18,281
12 Used car	10,709	11,590	12,182	12,362	12,202	12,194	12,195	12,261	12,239	12,283

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1992	1993	1994r	1995r	1996r	1995 Q4r	1996r Q1	1996r Q2	1996r Q3	1996r Q4	1997 Q1r	1997 Q2
						Nonfinancial sectors						
1 **Total net borrowing by domestic nonfinancial sectors**	**539.9r**	**619.6r**	**594.0**	**698.2**	**715.3**	**586.6**	**855.1**	**694.0**	**680.8**	**631.2**	**686.2**	**544.7**
By sector and instrument												
2 Federal government	304.0	256.1	155.9	144.4	145.0	64.9	227.3	62.7	163.2	126.9	81.2	−97.1
3 Treasury securities	303.8	248.3	155.7	142.9	146.6	59.7	229.6	60.5	166.3	130.2	82.6	−97.3
4 Budget agency securities and mortgages	.2	7.8	.2	1.5	−1.6	5.1	−2.3	2.2	−3.1	−3.3	−1.4	.2
5 Nonfederal	235.9r	363.4r	438.1	553.7	570.3	521.7	627.8	631.3	517.6	504.4	605.0	641.7
By instrument												
6 Commercial paper	8.6	10.0	21.4	18.1	−.9	14.1	25.7	9.1	−14.2	−24.4	7.8	21.4
7 Municipal securities and loans	30.5	74.8	−35.9	−48.2	1.3	−38.9	−4.1	30.2	−65.2	44.2	23.2	76.5
8 Corporate bonds	67.6	75.2	23.3	73.3	72.5	82.0	60.9	71.5	67.8	89.9	79.4	86.1
9 Bank loans n.e.c.	−12.3r	5.1r	75.0	100.4	69.9	89.6	41.5	69.7	132.2	36.3	142.0	125.2
10 Other loans and advances	5.7r	−18.9r	37.3	46.5	22.0	53.5	20.4	38.0	45.6	−15.8	1.2	−7.1
11 Mortgages	131.5r	155.3r	191.9	223.1	319.2	201.3	359.9	323.7	261.6	331.6	265.4	287.2
12 Home	189 1r	184.1r	199.0	192 4	267.8	171.6	316.1	255.4	248.3	251.6	240.3	203.9
13 Multifamily residential	−10.7	−6.0r	1.7	10.4	17.9	13.3	14.7	18.3	11.8	26.9	5.1	20.9
14 Commercial	−47.4r	−23.9	−11.0	18.8	30.9	15.2	27.5	45.1	−.6	51.5	18.0	57.7
15 Farm	.5r	1.0r	2.2	1.6	2.6	1.0	1.6	4.9	2.2	1.6	2.0	4.7
16 Consumer credit	4.2r	62.0r	125.1	140.5	86.3	120.1	123.5	89.0	89.9	42.6	85.9	52 4
By borrowing sector												
17 Household	191.2r	246.3r	343.7	354.9	363.8	329.7	443.0	376.5	348.8	286.8	335.5	291.1
18 Nonfinancial business	23.6r	54.9r	140.8	241.8	193.9	226.3	177.2	216.8	219.7	161.8	234.5	266.4
19 Corporate	39.6r	49.1r	135.3	213.7	148.1	200.8	132.9	172.1	192.9	94.4	179.3	190.9
20 Nonfarm noncorporate	−16.4r	3.2r	2.2	26.6	43.4	26.4	44.2	38.5	29.2	61.5	54.4	72.0
21 Farm	5r	2.6r	3.3	1.5	2.4	−.9	.1	6.2	−2.5	6.0	.8	3.6
22 State and local government	21.1	62.3	−46.4	−42.9	12.7	−34.2	7.7	38.0	−50.8	55.8	35.0	84.2
23 Foreign net borrowing in United States	23.7	70.4	−15.2	71.2	70.1	81.3	53.2	35.4	106.0	85.7	27.2	50.7
24 Commercial paper	5.2	−9.0	−27.3	13.6	10.9	−3.9	−5.4	8.9	37.8	2.2	16.2	10.0
25 Bonds	16.8	82.9	12.2	49.7	49.4	76.1	47.7	11.2	60.2	78.5	11.0	29.7
26 Bank loans n.e.c.	2.3	.7	1.4	8.5	9.1	11.9	8.7	15.1	4.7	7.8	−.6	11 0
27 Other loans and advances	−.6	−4.2	−1.5	−.5	.8	−2.8	2.3	.1	3 4	−2.7	.7	.1
28 **Total domestic plus foreign**	**563.6r**	**690.0r**	**578.7**	**769.3**	**785.4**	**667.9**	**908.3**	**729.4**	**786.8**	**716.9**	**713.4**	**595.4**
						Financial sectors						
29 **Total net borrowing by financial sectors**	**241.4r**	**293.4r**	**465.9**	**449.0**	**530.6**	**598.4**	**341.2**	**707.1**	**432.7**	**641.4**	**281.9**	**629.4**
By instrument												
30 Federal government-related	155.8	165.3	287.5	204.1	231.5	306.8	148.8	301.4	222.9	252.8	105.7	286.2
31 Government-sponsored enterprise securities	40.3	80.6	176.9	105.9	90.4	132.1	31.4	126.9	80.0	123.3	−8.9	198.1
32 Mortgage pool securities	115.6	84.7	115.4	98.2	141.1	174.7	117.4	174.5	142.9	129 6	114.6	88.1
33 Loans from U.S. government	0	.0	−4.8	0	.0	0	.0	.0	.0	.0	.0	.0
34 Private	85.6r	128.2r	178.4	244.9	299.2	291.6	192.4	405.7	209.9	388.6	176.2	343.2
35 Open market paper	−.7	−6.2	41.6	42.6	92.7	57.0	16.1	106.1	84.2	164.3	175.4	78.1
36 Corporate bonds	85.6r	122.8r	118.1	188.8	151.1	196.3	150.6	219.6	76.3	157.8	−6.1	173.9
37 Bank loans n.e.c.	.7r	−14.4r	−13.7	4.2	16.8	−1.5	23.4	20.6	2.6	20.4	7.0	10.4
38 Other loans and advances	−.6	22.4	22.6	3.4	27.2	32.0	−5.5	48.6	33.9	31.8	−16.1	66.8
39 Mortgages	6	3.6	9.8	5.9	11.4	7.7	7.7	10.8	12.9	14.3	16.0	14.0
By borrowing sector												
40 Commercial banking	10.0	13.4	20.1	22.5	11 7	−7.9	−34.2	40.5	14 7	25.7	16.1	83.0
41 Savings institutions	−7.0	11.3	12.8	2.6	26.0	31.5	11.0	42.1	26.4	24.7	−14.6	33.9
42 Credit unions	.0	.2	.2	−.1	.1	.0	−1	−.2	.3	3	−.2	2
43 Life insurance companies	.0	.2	.3	−.1	1.1	−.4	2.5	.3	−.4	2.0	.8	.1
44 Government-sponsored enterprises	40.2	80.6	172.1	105.9	90.4	132.1	31.4	126.9	80.0	123.3	−8.9	198.1
45 Federally related mortgage pools	115.6	84.7	115.4	98.2	141.1	174.7	117.4	174.5	142.9	129.6	114.6	88.1
46 Issuers of asset-backed securities (ABSs)	57.3r	82.8r	68.8	132.9	132.4	186.7	138.9	162.8	88.2	139.6	58.1	86.3
47 Finance companies	−2.3r	−.8r	49.1	50.8	43.2	61.7	41.5	56.8	30.7	43.8	6.4	124.3
48 Mortgage companies	8.0	.0	−11.5	.4	12.4	−10.0	20.0	16.0	1.7	12.1	5.9	10.0
49 Real estate investment trusts (REITs)	.3	3.4	13.7	6.0	12.8	8.3	8.2	11.5	13.7	17.7	19.1	18.6
50 Brokers and dealers	2.7	12.0	.5	−5.0	−2.0	7 7	−31.8	13.2	5.7	4.9	−2.9	42.4
51 Funding corporations	16.6r	5.7r	24.2	34.9	61.5	13.9	36.3	62.9	28.8	118.0	87.5	−55.6

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1992	1993	1994[r]	1995[r]	1996[r]	1995	1996[r]				1997	
						Q4[r]	Q1	Q2	Q3	Q4	Q1[r]	Q2
	All sectors											
52 **Total net borrowing, all sectors**	**805.0[r]**	**983.4[r]**	**1,044.7**	**1,218.3**	**1,316.0**	**1,266.3**	**1,249.5**	**1,436.5**	**1,219.6**	**1,358.4**	**995.3**	**1,224.7**
53 Open market paper	13.1	−5.1	35.7	74.3	102.6	67.2	36.4	124.2	107.7	142.1	199.4	109.4
54 U.S. government securities	459.8	421.4	448.1	348.5	376.5	371.7	376.1	364.1	386.1	379.7	186.9	189.1
55 Municipal securities	30.5	74.8	−35.9	−48.2	1.3	−38.9	−4.1	30.2	−65.2	44.2	23.2	76.5
56 Corporate and foreign bonds	169.9[r]	280.8[r]	153.6	311.8	273.0	354.4	259.3	302.4	204.2	326.2	84.3	289.7
57 Bank loans n.e.c.	−9.3	−8.6	62.8	113.0	95.7	100.1	73.5	105.4	139.5	64.5	148.3	146.6
58 Other loans and advances	4.6[r]	−.8[r]	53.6	49.3	50.0	82.7	17.2	86.7	82.9	13.2	−14.2	59.8
59 Mortgages	132.1[r]	158.9[r]	201.7	229.0	330.6	209.0	367.6	334.5	274.5	346.0	281.4	301.2
60 Consumer credit	4.2[r]	62.0[r]	125.1	140.5	86.3	120.1	123.5	89.0	89.9	42.6	85.9	52.4
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**293.9[r]**	**422.1[r]**	**124.8**	**145.1**	**241.3**	**223.4**	**319.1**	**386.6**	**78.4**	**181.2**	**194.4**	**205.7**
62 Corporate equities	103.4	130.1	24.1	−2.3	3.8	−4.7	21.5	82.1	−93.5	4.9	−59.0	−36.1
63 Nonfinancial corporations	27.0	21.3	−44.9	−58.3	−64.2	−58.4	−73.6	.4	−127.6	−56.0	−86.2	−83.6
64 Foreign shares purchased by U.S. residents	32.4	63.4	48.1	50.4	58.8	55.9	90.1	70.1	32.7	42.3	47.0	55.6
65 Financial corporations	44.0	45.4	20.9	5.6	9.2	−2.2	5.1	11.6	1.5	18.6	−19.8	−8.1
66 Mutual fund shares	190.5[r]	292.0[r]	100.6	147.4	237.6	228.1	297.6	304.5	171.9	176.3	253.4	241.8

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.4. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

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

Transaction category or sector	1992	1993	1994	1995	1996r	1995 Q4r	1996r Q1	1996r Q2	1996r Q3	1996r Q4	1997 Q1r	1997 Q2
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**805.0r**	**983.4r**	**1,044.7r**	**1,218.3r**	**1,316.0**	**1,266.3**	**1,249.5**	**1,436.5**	**1,219.6**	**1,358.4**	**995.3**	**1,224.7**
2 Domestic nonfederal nonfinancial sectors	117.2r	80.0r	257.1r	−86.5r	−8.9	−167.4	−40.9	305.7	−183.8	116.7	−300.7	−90.2
3 Household	87.8r	39.3r	293.9r	−2.1r	31.7	−79.4	−76.5	277.9	−43.3	31.5	−241.2	63.8
4 Nonfinancial corporate business	27.8	9.1	17.7	−2.4	15.3	−5.2	29.2	31.7	9.5	−9.4	42.3	−14.4
5 Nonfarm noncorporate business	−.1	−1.1	.6r	.3	.4	.3	.4	.4	.4	.4	.5	.5
6 State and local governments	1.7	32.6	−55.0	−82.4r	−56.2	−83.1	6.0	−4.4	−150.4	−76.2	−102.2	−12.5
7 Federal government	−10.4r	−17.2r	−22.6r	−20.4r	−20.9	−22.7	−19.9	−14.3	−25.0	24.3	−18.7	−12.9
8 Rest of the world	98.4	129.3	132.3	273.9r	409.1	160.2	350.0	268.9	485.4	532.2	366.3	306.3
9 Financial sectors	599.8r	791.3r	677.9r	1,051.3r	936.7	1,296.2	960.3	876.2	943.0	967.1	948.4	1,021.6
10 Monetary authority	27.9	36.2	31.5	12.7	12.3	23.2	17.5	11.7	11.5	8.4	37.4	47.2
11 Commercial banking	95.3	142.2	163.4	265.9	187.8	176.5	126.0	179.7	196.1	249.4	319.6	330.1
12 U.S.-chartered banks	69.5	149.6	148.1	186.5	119.6	126.0	78.3	121.9	119.5	158.9	212.3	321.9
13 Foreign banking offices in United States	16.5	−9.8	11.2	75.4	63.3	38.5	50.8	50.7	71.1	80.5	97.3	1.1
14 Bank holding companies	5.6	.0	.9	−.3	3.9	4.6	−5.1	5.4	4.8	10.5	2.2	5.1
15 Banks in U.S.-affiliated areas	3.7	2.4	3.3	4.2	1.0	7.4	2.1	1.7	.7	−.6	7.8	2.0
16 Savings institutions	−79.0	−23.3	6.7	−7.6r	19.9	−68.4	34.1	44.7	49.7	−48.8	3.0	21.1
17 Credit unions	17.7	21.7	28.1	16.2	25.5	19.0	23.6	33.0	21.1	24.3	14.0	18.9
18 Bank personal trusts and estates	8.0	9.5	7.1	−18.8	3.9	−20.2	−3.5	4.2	7.8	7.2	8.2	8.9
19 Life insurance companies	79.5	100.9	66.7	99.2	72.5	51.7	47.6	.9	123.2	118.1	94.3	84.4
20 Other insurance companies	6.7	27.7	24.9	21.5	21.5	22.3	13.6	30.5	14.2	27.7	3.9	11.4
21 Private pension funds	37.5	49.5	47.7	63.1	46.6	81.3	69.5	45.4	41.9	29.5	57.5	57.8
22 State and local government retirement funds	5.9	21.1	30.7	22.7	34.5	20.1	54.9	47.9	19.0	16.1	38.7	21.1
23 Money market mutual funds	4.7	20.4	30.0	86.5	88.8	130.4	164.1	27.0	83.0	81.3	65.2	19.7
24 Mutual funds	126.2	159.5	−7.1	52.5	48.9	146.0	88.5	54.3	27.5	25.3	61.9	108.1
25 Closed-end funds	18.2	14.4	−3.3	13.3	9.3	13.2	10.9	9.8	9.0	7.5	6.7	5.3
26 Government-sponsored enterprises	68.8	87.8r	117.8r	84.7r	92.0	185.1	33.9	114.7	81.2	138.4	45.1	119.0
27 Federally related mortgage pools	115.6	84.7	115.4	98.2	141.1	174.7	117.4	174.5	142.9	129.6	114.6	88.1
28 Asset-backed securities issuers (ABSs)	53.1r	80.2r	61.7r	111.1r	102.1	137.1	119.7	135.7	62.0	91.1	34.5	71.3
29 Finance companies	.4r	−20.9r	48.3r	49.9r	18.4	45.1	30.4	36.3	13.1	−6.3	41.4	1.8
30 Mortgage companies	.1	.0	−24.0	−3.4	8.2	−36.4	51.8	−26.8	3.4	4.1	8.2	.0
31 Real estate investment trusts (REITs)	1.1	.6	4.7	2.2	3.0	3.4	3.4	3.4	3.4	2.0	2.0	3.4
32 Brokers and dealers	−1.3	14.8	−44.2	90.1	−17.1	189.3	−109.0	−72.0	35.5	77.0	−12.8	23.0
33 Funding corporations	13.3	−35.6	−28.4r	−8.6r	17.5	3.0	65.9	21.1	−2.4	−14.5	27.2	−19.1
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**805.0r**	**983.4r**	**1,044.7r**	**1,218.3r**	**1,316.0**	**1,266.3**	**1,249.5**	**1,436.5**	**1,219.6**	**1,358.4**	**995.3**	**1,224.7**
Other financial sources												
35 Official foreign exchange	−1.6	.8	−5.8	8.8	−6.3	−1.9	−.9	1.6	−26.6	.7	−17.6	.4
36 Special drawing rights certificates	−2.0	.0	.0	2.2	−.5	.0	.0	.0	−1.8	.0	−2.1	.0
37 Treasury currency	.2	.4	.7	.6	.0	.0	.0	.0	2.3	−2.3	.4	.2
38 Foreign deposits	−3.4r	−18.5	52.9r	35.3r	82.0	21.1	100.8	3.0	119.7	104.5	188.6	79.0
39 Net interbank transactions	49.4	50.5	89.8	9.9	−52.6	57.0	−78.6	−51.8	−102.5	22.3	−85.2	−33.9
40 Checkable deposits and currency	113.5	117.3	−9.7	−12.8	15.8	−40.4	6.8	3.9	105.9	−53.4	81.3	54.0
41 Small time and savings deposits	−57.2	−70.3	−40.0	96.5	97.1	110.2	207.7	−3.2	92.7	91.2	165.0	30.2
42 Large time deposits	−73.2	−23.5	19.6	65.6	113.9	−1.5	57.4	83.1	181.8	133.2	48.1	177.4
43 Money market fund shares	4.5	20.2	43.3	142.3	145.8	148.9	227.6	23.1	145.1	187.5	182.4	58.5
44 Security repurchase agreements	43.1	71.2	78.3	110.7	38.7	56.7	−4.7	98.5	−15.9	77.0	51.8	217.3
45 Corporate equities	103.4	130.1	24.1	−2.3r	3.8	−4.7	21.5	82.1	−93.5	4.9	−59.0	−36.1
46 Mutual fund shares	190.5r	292.0r	100.6r	147.4r	237.6	228.1	297.6	304.5	171.9	176.3	253.4	241.8
47 Trade payables	46.6	52.0r	93.7r	105.2r	75.4	93.6	77.7	120.4	−4.3	107.6	90.3	66.3
48 Security credit	4.6	61.4	−.1	26.7	52.4	42.8	114.0	−34.8	5.3	125.1	117.6	114.4
49 Life insurance reserves	28.0	36.0	34.5	44.9	43.6	38.3	19.0	32.5	56.6	66.3	44.0	66.4
50 Pension fund reserves	230.3r	254.7r	253.2r	241.2r	235.7	189.5	236.1	196.2	231.9	278.5	287.0	278.9
51 Taxes payable	9.7	5.2	1.5r	1.6r	3.2	−7.2	4.5	4.7	−.1	3.5	−9.3	−11.4
52 Investment in bank personal trusts	−7.1	.9	17.8	−49.7	12.5	−39.2	−.6	11.8	19.2	19.8	23.5	26.3
53 Noncorporate proprietors' equity	37.7r	14.2r	43.7r	28.0r	5.7	26.9	2.2	6.4	27.5	−15.6	−12.3	−6.7
54 Miscellaneous	246.3r	336.6r	243.1r	466.0r	454.8	765.1	506.5	431.0	348.0	533.7	604.8	631.1
55 **Total financial sources**	**1,768.0r**	**2,314.6r**	**2,086.0r**	**2,686.4r**	**2,874.4**	**2,949.4**	**3,044.1**	**2,749.4**	**2,482.8**	**3,219.1**	**2,948.0**	**3,179.0**
Liabilities not identified as assets (−)												
56 Treasury currency	−.2	−.2	−.2	−.5	−1.0	−1.0	−1.1	−1.0	1.3	−3.1	−.3	−.6
57 Foreign deposits	−2.7r	−5.7r	43.0r	25.7r	58.1	18.0	73.2	26.6	91.3	41.3	179.0	54.5
58 Net interbank liabilities	−4.9	4.2	−2.7	−3.1	−3.3	−32.5	9.3	−22.5	−4.4	4.2	26.5	24.9
59 Security repurchase agreements	4.7	46.1	57.3	55.1	24.2	29.9	27.7	124.8	−133.3	77.6	−102.1	166.7
60 Taxes payable	11.9	9.6r	15.6r	14.8r	5.5	9.4	−14.6	20.4	7.7	8.5	−27.5	15.1
61 Miscellaneous	−68.8r	−201.7r	−178.8r	−98.2r	−99.2	104.4	−149.4	−134.8	−156.2	43.6	−112.4	−378.1
Floats not included in assets (−)												
62 Federal government checkable deposits	.7	−1.5	−4.8	−6.0	.5	−13.9	2.7	−6.6	27.1	21.4	−9.4	16.1
63 Other checkable deposits	1.6	−1.3	−2.8	−3.8	−4.0	−4.7	−2.8	−5.0	4.7	−3.7	−2.6	−4.8
64 Trade credit	11.8r	−4.1r	.7r	−30.5r	−32.0	−114.4	6.5	−9.8	−101.5	−23.4	28.4	−57.4
65 **Total identified to sectors as assets**	**1,814.1r**	**2,469.1r**	**2,158.7r**	**2,732.9r**	**2,925.8**	**2,954.2**	**3,092.6**	**2,757.3**	**2,755.7**	**3,095.5**	**2,968.5**	**3,392.3**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.1 and F.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1993	1994r	1995r	1996r	1995 Q4r	1996r Q1	1996r Q2	1996r Q3	1996r Q4	1997 Q1r	1997 Q2
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**12,486.9r**	**13,087.1**	**13,785.2**	**14,500.5**	**13,785.2**	**13,980.9**	**14,134.3**	**14,308.4**	**14,500.5**	**14,658.4**	**14,769.2**
By sector and instrument											
2 Federal government	3,336.5	3,492.3	3,636.7	3,781.8	3,636.7	3,717.2	3,693.8	3,733.1	3,781.8	3,829.8	3,760.6
3 Treasury securities	3,309.9	3,465.6	3,608.5	3,755.1	3,608.5	3,689.6	3,665.5	3,705.7	3,755.1	3,803.5	3,734.3
4 Budget agency securities and mortgages	26.6	26.7	28.2	26.6	28.2	27.6	28.2	27.4	26.6	26.3	26.3
5 Nonfederal	9,150.4r	9,594.8	10,148.5	10,718.8	10,148.5	10,263.7	10,440.6	10,575.3	10,718.8	10,828.6	11,008.6
By instrument											
6 Commercial paper	117.8	139.2	157.4	156.4	157.4	174.2	181.7	173.0	156.4	168.7	179.3
7 Municipal securities and loans	1,377.5	1,341.7	1,293.5	1,294.8	1,293.5	1,290.3	1,296.1	1,279.8	1,294.8	1,298.8	1,315.5
8 Corporate bonds	1,229.7	1,253.0	1,326.3	1,398.8	1,326.3	1,341.5	1,359.4	1,376.4	1,398.8	1,418.7	1,440.2
9 Bank loans n.e.c.	680.8r	755.7	856.1	926.0	856.1	864.4	887.0	915.5	926.0	962.1	998.4
10 Other loans and advances	629.3r	673.0	719.4	741.4	719.4	728.8	737.4	745.1	741.4	746.2	743.3
11 Mortgages	4,252.2r	4,444.1	4,667.2	4,986.4	4,667.2	4,744.0	4,832.2	4,908.3	4,986.4	5,040.2	5,118.9
12 Home	3,225.0r	3,424.0	3,616.4	3,850.6	3,616.4	3,682.3	3,719.7	3,792.4	3,850.6	3,898.0	3,956.0
13 Multifamily residential	267.4	269.1	279.5	301.1	279.5	283.2	291.4	294.4	301.1	302.4	307.6
14 Commercial	679.0	668.0	686.8	747.6	686.8	693.6	734.9	734.7	747.6	752.1	766.6
15 Farm	80.7r	83.0	84.6	87.1	84.6	85.0	86.2	86.7	87.1	87.6	88.8
16 Consumer credit	863.0r	988.1	1,128.6	1,214.9	1,128.6	1,120.5	1,146.9	1,177.3	1,214.9	1,193.9	1,213.0
By borrowing sector											
17 Household	4,203.5r	4,550.0	4,910.1	5,244.7	4,910.1	4,969.5	5,043.5	5,148.5	5,244.7	5,275.0	5,362.8
18 Nonfinancial business	3,785.0r	3,929.4	4,165.9	4,388.9	4,165.9	4,221.2	4,316.5	4,358.9	4,388.9	4,460.7	4,534.5
19 Corporate	2,528.6r	2,667.5	2,875.9	3,053.1	2,875.9	2,922.9	3,003.6	3,038.7	3,053.1	3,113.8	3,165.3
20 Nonfarm noncorporate	1,118.5r	1,120.7	1,147.3	1,190.7	1,147.3	1,158.3	1,167.9	1,174.6	1,190.7	1,204.2	1,222.2
21 Farm	137.9r	141.2	142.7	145.1	142.7	140.0	145.0	145.5	145.1	142.7	147.0
22 State and local government	1,161.8r	1,115.4	1,072.5	1,085.1	1,072.5	1,073.1	1,080.6	1,068.0	1,085.1	1,093.0	1,111.3
23 **Foreign credit market debt held in United States**	**385.7r**	**370.6**	**441.7**	**511.8**	**441.7**	**452.7**	**461.5**	**489.1**	**511.8**	**516.4**	**528.8**
24 Commercial paper	68.7	41.4	55.0	65.8	55.0	51.5	53.4	64.8	65.8	67.9	69.8
25 Bonds	230.1	242.3	291.9	341.3	291.9	303.8	306.7	321.7	341.3	344.1	351.5
26 Bank loans n.e.c.	24.6	26.1	34.6	43.7	34.6	36.8	40.5	41.7	43.7	43.5	46.2
27 Other loans and advances	62.3r	60.8	60.2	61.0	60.2	60.6	60.9	61.0	61.0	61.0	61.2
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**12,872.6r**	**13,457.6**	**14,227.0**	**15,012.3**	**14,227.0**	**14,433.6**	**14,595.9**	**14,797.5**	**15,012.3**	**15,174.8**	**15,298.0**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**3,327.0r**	**3,800.7**	**4,252.3**	**4,782.9**	**4,252.3**	**4,333.0**	**4,511.9**	**4,623.1**	**4,782.9**	**4,848.5**	**5,008.7**
By instrument											
30 Federal government-related	1,885.2	2,172.7	2,376.8	2,608.3	2,376.8	2,414.0	2,489.4	2,545.1	2,608.3	2,634.7	2,706.2
31 Government-sponsored enterprise securities	523.7	700.6	806.5	896.9	806.5	814.4	846.1	866.1	896.9	894.7	944.2
32 Mortgage pool securities	1,356.8	1,472.1	1,570.3	1,711.4	1,570.3	1,599.7	1,643.3	1,679.0	1,711.4	1,740.0	1,762.1
33 Loans from U.S. government	4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,441.8r	1,627.9	1,875.4	2,174.6	1,875.4	1,919.0	2,022.5	2,078.1	2,174.6	2,213.8	2,302.5
35 Open market paper	393.5	442.8	488.0	580.7	488.0	491.9	518.5	539.6	580.7	624.5	644.0
36 Corporate bonds	867.9r	985.9	1,174.7	1,325.8	1,174.7	1,208.5	1,265.2	1,287.6	1,325.8	1,319.9	1,365.8
37 Bank loans n.e.c.	62.6r	48.9	53.1	69.8	53.1	58.6	63.9	64.2	69.8	71.3	74.3
38 Other loans and advances	108.9	131.6	135.0	162.2	135.0	133.6	145.8	154.2	162.2	158.2	174.9
39 Mortgages	8.9	18.7	24.6	36.0	24.6	26.5	29.2	32.4	36.0	40.0	43.5
By borrowing sector											
40 Commercial banks	84.6	94.5	102.6	112.3	102.6	100.5	103.6	106.7	112.3	114.5	125.2
41 Bank holding companies	123.4	133.6	148.0	150.0	148.0	141.4	148.4	149.1	150.0	151.7	161.7
42 Savings institutions	99.6	112.4	115.0	141.1	115.0	117.8	128.3	134.9	141.1	137.4	145.9
43 Credit unions	.2	.5	.4	.4	.4	.4	.3	.4	.4	.4	.4
44 Life insurance companies	.2	.6	.5	1.6	.5	1.1	1.2	1.1	1.6	1.8	1.8
45 Government-sponsored enterprises	528.5	700.6	806.5	896.9	806.5	814.4	846.1	866.1	896.9	894.7	944.2
46 Federally related mortgage pools	1,356.8	1,472.1	1,570.3	1,711.4	1,570.3	1,599.7	1,643.3	1,679.0	1,711.4	1,740.0	1,762.1
47 Issuers of asset-backed securities (ABSs)	485.3r	554.1	687.0	819.5	687.0	717.3	756.7	781.3	819.5	829.0	849.5
48 Brokers and dealers	33.7	34.3	29.3	27.3	29.3	21.4	24.6	26.1	27.3	26.6	37.2
49 Finance companies	386.7r	435.8	486.6	529.8	486.6	493.8	506.3	513.7	529.8	528.2	557.7
50 Mortgage companies	30.2	18.7	19.1	31.5	19.1	24.1	28.1	28.5	31.5	33.0	35.5
51 Real estate investment trusts (REITs)	17.4	31.1	37.1	49.9	37.1	39.1	42.0	45.4	49.9	54.6	59.3
52 Funding corporations	180.3r	212.3	249.8	311.3	249.8	262.2	283.0	290.7	311.3	336.7	328.2
	All sectors										
53 **Total credit market debt, domestic and foreign**	**16,199.6r**	**17,258.3**	**18,479.2**	**19,795.2**	**18,479.2**	**18,766.6**	**19,107.8**	**19,420.7**	**19,795.2**	**20,023.4**	**20,306.7**
54 Open market paper	580.0	623.5	700.4	803.0	700.4	717.6	753.6	777.4	803.0	861.1	893.1
55 U.S. government securities	5,216.9	5,665.0	6,013.6	6,390.0	6,013.6	6,131.2	6,183.1	6,278.2	6,390.0	6,464.5	6,466.8
56 Municipal securities	1,377.5	1,341.7	1,293.5	1,294.8	1,293.5	1,290.3	1,296.1	1,279.8	1,294.8	1,298.8	1,315.5
57 Corporate and foreign bonds	2,327.6r	2,481.2	2,793.0	3,066.0	2,793.0	2,853.8	2,931.3	2,985.7	3,066.0	3,082.6	3,157.5
58 Bank loans n.e.c.	768.0	830.8	943.8	1,039.5	943.8	959.7	991.4	1,021.3	1,039.5	1,076.9	1,118.9
59 Other loans and advances	805.3r	865.3	914.6	964.6	914.6	923.0	944.1	960.3	964.6	965.3	979.4
60 Mortgages	4,261.2r	4,462.8	4,691.8	5,022.4	4,691.8	4,770.5	4,861.4	4,940.7	5,022.4	5,080.2	5,162.4
61 Consumer credit	863.0r	988.1	1,128.6	1,214.9	1,128.6	1,120.5	1,146.9	1,177.3	1,214.9	1,193.9	1,213.0

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1993	1994	1995	1996[r]	1995 Q4	1996 Q1	1996 Q2	1996 Q3	1996 Q4[r]	1997 Q1[r]	1997 Q2
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**16,199.6[r]**	**17,258.3[r]**	**18,479.2[r]**	**19,795.2**	**18,479.2[r]**	**18,766.6[r]**	**19,107.8[r]**	**19,420.7[r]**	**19,795.2**	**20,023.4**	**20,306.7**
2 Domestic nonfederal nonfinancial sectors	2,795.8[r]	3,085.7[r]	2,964.1[r]	3,000.3	2,964.1[r]	2,928.4[r]	3,013.5[r]	2,982.4[r]	3,000.3	2,899.1	2,855.3
3 Household	1,702.4[r]	2,029.1[r]	1,991.8[r]	2,068.6	1,991.8[r]	1,970.0[r]	2,040.5[r]	2,047.5[r]	2,068.6	2,007.8	1,961.4
4 Nonfinancial corporate business	271.5	289.2	286.8	302.1	286.8	273.6	285.7	286.8[r]	302.1	289.6	291.6
5 Nonfarm noncorporate business	37.0	37.6[r]	37.9[r]	38.3	37.9[r]	38.0[r]	38.1[r]	38.2[r]	38.3	38.4	38.6
6 State and local governments	784.9	729.9	647.5[r]	591.3	647.5[r]	646.8[r]	649.1	609.9[r]	591.3	563.3	563.7
7 Federal government	234.7[r]	212.0[r]	191.6[r]	170.7	191.6[r]	186.6[r]	183.0[r]	176.8[r]	170.7	166.0	162.8
8 Rest of the world	1,147.8	1,254.8[r]	1,563.1[r]	1,953.5	1,563.1[r]	1,656.5[r]	1,722.0[r]	1,844.6[r]	1,953.5	2,050.7	2,125.8
9 Financial sectors	12,021.3[r]	12,705.7[r]	13,760.4[r]	14,670.7	13,760.4[r]	13,995.1[r]	14,189.3[r]	14,416.8[r]	14,670.7	14,907.5	15,162.9
10 Monetary authority	336.7	368.2	380.8	393.1	380.8	379.6	386.3	386.2	393.1	397.1	412.4
11 Commercial banking	3,090.8	3,254.3	3,520.1	3,707.9	3,520.1	3,541.6	3,590.8	3,643.3	3,707.9	3,780.5	3,866.8
12 U.S.-chartered banks	2,721.5	2,869.6	3,056.1	3,175.8	3,056.1	3,068.8	3,101.3	3,135.3	3,175.8	3,222.2	3,304.5
13 Foreign banking offices in United States	326.0	337.1	412.6	475.8	412.6	422.2	437.1	454.2	475.8	499.5	501.8
14 Bank holding companies	17.5	18.4	18.0	22.0	18.0	16.8	18.1	19.3	22.0	22.5	23.8
15 Banks in U.S.-affiliated areas	25.8	29.2	33.4	34.4	33.4	33.9	34.3	34.5	34.4	36.3	36.8
16 Savings institutions	914.1	920.8	913.3	933.2	913.3	921.8	933.0[r]	945.4	933.2	932.4	937.7
17 Credit unions	218.7	246.8	263.0	288.5	263.0	267.0	276.9	282.6	288.5	290.1	296.4
18 Bank personal trusts and estates	240.9	248.0	229.2	233.1	229.2	228.3	229.4	231.3	233.1	235.2	237.4
19 Life insurance companies	1,416.0	1,482.6	1,581.8	1,654.3	1,581.8	1,596.2	1,596.7	1,627.0	1,654.3	1,680.2	1,701.5
20 Other insurance companies	422.7	446.4	468.7	490.2	468.7	472.1[r]	479.7[r]	483.2[r]	490.2	491.2	494.0
21 Private pension funds	611.4	659.2	722.3	768.8	722.3	739.6	751.0	761.4	768.8	783.2	797.7
22 State and local government retirement funds	423.4	454.1	476.8	511.3	476.8	491.9	505.0	506.3	511.3	522.5	529.1
23 Money market mutual funds	429.0	459.0	545.5	634.3	545.5	595.6	594.7	606.6	634.3	659.0	656.5
24 Mutual funds	725.9	718.8	771.3	820.2	771.3	795.9	809.0	818.3	820.2	838.3	864.7
25 Closed-end funds	82.0	78.7	92.0	101.3	92.0	94.8	97.2	99.5	101.3	103.0	104.3
26 Government-sponsored enterprises	545.5[r]	663.3[r]	748.0[r]	813.6	748.0[r]	755.8[r]	758.9[r]	779.3[r]	813.6	824.3	854.8
27 Federally related mortgage pools	1,356.8	1,472.1	1,570.3	1,711.4	1,570.3	1,599.7	1,643.3[r]	1,679.0[r]	1,711.4	1,740.0	1,762.1
28 Asset-backed securities issuers (ABSs)	455.1[r]	516.8[r]	627.9[r]	730.0	627.9[r]	653.3[r]	686.0[r]	704.1[r]	730.0	733.7	750.5
29 Finance companies	427.9[r]	476.2[r]	526.2[r]	544.5	526.2[r]	530.3[r]	539.9[r]	538.3[r]	544.5	551.6	552.3
30 Mortgage companies	60.4	36.5	33.0	41.2	33.0	46.0	39.3	40.2	41.2	39.2	39.2
31 Real estate investment trusts (REITs)	8.6	13.3	15.5	18.5	15.5	16.3	17.2	18.0	18.5	19.0	19.9
32 Brokers and dealers	137.5	93.3	183.4	166.3	183.4	156.2	138.2	147.1	166.3	163.1	168.9
33 Funding corporations	117.9	97.3[r]	91.3[r]	108.8	91.3[r]	113.2[r]	116.8[r]	119.8[r]	108.8	124.1	116.9
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**16,199.6[r]**	**17,258.3[r]**	**18,479.2[r]**	**19,795.2**	**18,479.2[r]**	**18,766.6[r]**	**19,107.8[r]**	**19,420.7[r]**	**19,795.2**	**20,023.4**	**20,306.7**
Other liabilities											
35 Official foreign exchange	53.4	53.2	63.7	53.7	63.7	62.1	61.4	54.3	53.7	46.3	46.7
36 Special drawing rights certificates	8.0	8.0	10.2	9.7	10.2	10.2	10.2	9.7	9.7	9.2	9.2
37 Treasury currency	17.0	17.6	18.2	18.2	18.2	18.2	18.2	18.8	18.2	18.3	18.3
38 Foreign deposits	271.8	324.6	359.2[r]	438.1	359.2[r]	384.4[r]	385.2[r]	415.1[r]	438.1	485.2	505.0
39 Net interbank liabilities	189.3	280.1	290.7	239.7	290.7	266.0	249.1	223.6	239.7	210.1	199.4
40 Checkable deposits and currency	1,251.7	1,242.0	1,229.3	1,245.1	1,229.3	1,183.3	1,212.3	1,220.8	1,245.1	1,219.0	1,261.8
41 Small time and savings deposits	2,223.2	2,183.3	2,279.7	2,376.8	2,279.7	2,342.3	2,340.1	2,357.4	2,376.8	2,428.7	2,435.3
42 Large time deposits	391.7	411.2	476.9	590.7	476.9	493.6	511.1	557.6	590.7	605.4	646.4
43 Money market fund shares	559.6	602.9	745.3	891.1	745.3	816.9	809.5	838.1	891.1	950.8	952.4
44 Security repurchase agreements	471.1	549.4	660.1	698.8	660.1	666.1	692.1	687.6	698.8	716.6	774.3
45 Mutual fund shares	1,375.4	1,477.3	1,852.8	2,342.4	1,852.8	1,997.0	2,129.9	2,211.6	2,342.4	2,411.5	2,731.1
46 Security credit	279.0	279.0	305.7	358.0	305.7	326.9	318.6	317.8	358.0	380.0	409.1
47 Life insurance reserves	470.8	505.3	550.2	593.8	550.2	555.0	563.1	577.2	593.8	604.8	621.4
48 Pension fund reserves	4,663.3[r]	4,871.8[r]	5,597.3[r]	6,257.7	5,597.3[r]	5,753.0[r]	5,874.0[r]	5,989.4[r]	6,257.7	6,339.9	6,789.1
49 Trade payables	1,047.8[r]	1,141.5[r]	1,246.7[r]	1,322.1	1,246.7[r]	1,235.5[r]	1,271.5[r]	1,267.7[r]	1,322.1	1,313.8	1,336.1
50 Taxes payable	84.8[r]	86.3[r]	88.0[r]	91.1	88.0[r]	93.0[r]	89.2[r]	91.1[r]	91.1	93.0	85.0
51 Investment in bank personal trusts	691.3	699.4	767.4	872.0	767.4	793.7	811.7	829.0	872.0	890.4	969.7
52 Miscellaneous	5,109.8[r]	5,379.1[r]	5,783.0[r]	6,135.1	5,783.0[r]	5,951.7[r]	5,948.9[r]	6,027.7[r]	6,135.1	6,327.6	6,267.5
53 **Total liabilities**	**35,358.5[r]**	**37,370.5[r]**	**40,803.4[r]**	**44,329.3**	**40,803.4[r]**	**41,715.4[r]**	**42,403.7[r]**	**43,115.3[r]**	**44,329.3**	**45,074.0**	**46,364.4**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	20.1	21.1	22.1	21.4	22.1	22.1	22.0	21.2	21.4	20.9	21.1
55 Corporate equities	6,257.6[r]	6,237.9[r]	8,331.3[r]	10,061.1	8,331.3[r]	8,809.7[r]	9,105.0[r]	9,340.5[r]	10,061.1	10,072.3	11,719.8
56 Household equity in noncorporate business	3,219.2[r]	3,416.3[r]	3,620.8[r]	3,850.3	3,620.8[r]	3,664.6[r]	3,731.0[r]	3,797.3[r]	3,850.3	3,908.2	3,901.6
Liabilities not identified as assets (−)											
57 Treasury currency	−5.1	−5.4	−5.8	6.8	−5.8	−6.1	−6.3	−6.0	−6.8	−6.9	−7.0
58 Foreign deposits	233.2[r]	276.2[r]	301.2[r]	356.4	301.2[r]	319.5[r]	326.1[r]	348.9[r]	356.4	401.1	414.7
59 Net interbank transactions	−4.7	−6.5	−9.0	−10.6	−9.0	−2.6	−8.0	−11.6	−10.6	−1.7	−8.3
60 Security repurchase agreements	−1.6	55.7	110.9	135.1	110.9	121.7	149.2[r]	126.5[r]	135.1	110.8	150.3
61 Taxes payable	26.8	33.7[r]	42.8[r]	44.3	42.8[r]	22.6[r]	36.9[r]	40.9[r]	44.3	30.5	28.6
62 Miscellaneous	−887.6[r]	−988.6[r]	−1,081.0[r]	−1,354.7	1,081.0[r]	−1,098.4[r]	−1,213.2[r]	−1,246.8[r]	−1,354.7	−1,295.8	−1,364.8
Floats not included in assets (−)											
63 Federal government checkable deposits	5.6	3.4	3.1	−1.6	3.1	0	−3.4	−1.7	−1.6	−9.7	−6.8
64 Other checkable deposits	40.7	38.0	34.2	30.1	34.2	29.6	31.8	23.1	30.1	25.6	27.9
65 Trade credit	−247.5[r]	−247.7[r]	−278.2[r]	−310.2	−278.2[r]	−332.0[r]	−343.4[r]	−383.6[r]	−310.2	−361.2	−381.5
66 **Total identified to sectors as assets**	**45,695.7[r]**	**47,887.0[r]**	**53,659.6[r]**	**59,380.2**	**53,659.6[r]**	**55,157.5[r]**	**56,292.1[r]**	**57,384.6[r]**	**59,380.2**	**60,182.7**	**63,153.8**

1 Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.1 and L.5. For ordering address, see inside front cover.

2 Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1992=100, except as noted

Measure	1994	1995	1996	1996 Dec.	1997 Jan	Feb.	Mar.	Apr.	May	June[r]	July[r]	Aug.
1 **Industrial production**[1]	**108.6**	**112.1**	**115.2**	**117.7**	**117.8**	**118.4**	**118.8**	**119.3**	**119.5**[r]	**119.9**	**120.4**	**121.3**
Market groupings												
2 Products, total	106.8	109.3	112.0	114.3	114.2	114.8	115.3	115.4	115.9[r]	116.1	116.3	117.2
3 Final, total	107.1	109.9	112.8	115.3	115.1	115.6	116.3	116.6	117.1[r]	117.5	117.9	119.1
4 Consumer goods	107.4	108.9	110.5	112.7	111.7	111.6	112.1	112.1	112.6[r]	112.5	112.8	113.5
5 Equipment	106.6	111.6	116.8	119.6	120.8	122.6	123.5	124.3	124.9[r]	126.3	126.7	128.7
6 Intermediate	106.1	107.5	109.4	111.3	111.6	112.0	112.1	112.0	112.2[r]	111.7	111.3	111.5
7 Materials	111.3	116.6	120.3	123.1	123.4	124.1	124.5	125.5	125.2	125.9	127.0	127.8
Industry groupings												
8 Manufacturing	109.4	113.2	116.3	119.2	119.3	120.1	120.6	120.9	121.0	121.6	122.2	123.4
9 Capacity utilization, manufacturing (percent)[2]	83.1	83.1	82.1	82.5	82.4	82.6	82.7	82.6	82.4	82.5	82.6	83.1
10 Construction contracts[3]	117.6[r]	121.9[r]	130.5[r]	128.0	131.0[r]	131.0	133.0	138.0[r]	138.0[r]	137.0	133.0	129.0
11 Nonagricultural employment, total[4]	112.0	115.0	117.3	118.3	118.6	118.8	119.0	119.3	119.5	119.7	120.1	120.1
12 Goods-producing, total	96.9	98.1	98.3	99.5	99.6	99.9	100.0	100.0	100.1	100.2	100.1	100.3
13 Manufacturing, total	96.4	97.2	96.2	97.1	97.2	97.2	97.3	97.4	97.4	97.5	97.4	97.6
14 Manufacturing, production workers	97.5	98.7	97.5	98.4	98.5	98.5	98.6	98.6	98.7	98.8	98.7	98.9
15 Service-producing	116.8	120.3	123.3	124.4	124.6	124.9	125.1	125.5	125.7	126.0	126.5	126.4
16 Personal income, total	148.9	158.2	167.0	171.4	172.3	173.6	174.6	174.9	175.5	176.5	176.7	n.a.
17 Wages and salary disbursements	142.6	150.9	159.8	165.2	165.2	167.2	168.1	168.2	168.7	170.1	170.1	n.a.
18 Manufacturing	124.9	130.4	135.7	138.9	138.9	139.5	140.5	140.7	140.9	141.0	141.2	n.a.
19 Disposable personal income[5]	149.7	158.7	166.2	169.7	170.6	171.7	172.5	172.7	173.1	174.0	174.1	n.a.
20 Retail sales[5]	144.6	151.2	158.5	161.3	163.9	166.1	165.6	163.7	163.3	164.5	166.0	166.6
Prices[6]												
21 Consumer (1982–84=100)	148.2	152.4	156.9	158.6	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8
22 Producer finished goods (1982=100)	125.5	127.9	131.3	132.7	132.6	132.2	132.1	131.6	131.5	131.6	131.3	131.7

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 January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. The article contains a description of the new aggregation system for industrial production and capacity utilization. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

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

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

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

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1994	1995	1996	1997 Jan.	Feb.	Mar.	Apr.	May	June[r]	July[r]	Aug.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	131,056	132,304	133,943	135,848	135,634	136,319	136,098	136,173	136,200	136,290	136,480
Employment											
2 Nonagricultural industries[3]	119,651	121,460	123,264	125,112	125,138	125,789	125,887	126,209	125,973	126,226	126,421
3 Agriculture	3,409	3,440	3,443	3,468	3,292	3,386	3,497	3,430	3,391	3,482	3,383
Unemployment											
4 Number	7,996	7,404	7,236	7,268	7,205	7,144	6,714	6,534	6,836	6,583	6,677
5 Rate (percent of civilian labor force)	6.1	5.6	5.4	5.4	5.3	5.2	4.9	4.8	5.0	4.8	4.9
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**114,172**	**117,203**	**119,549**	**120,909**	**121,162**	**121,344**	**121,671**	**121,834**	**122,056**	**122,421**	**122,470**
7 Manufacturing	18,321	18,468	18,282	18,465	18,475	18,489	18,495	18,498	18,518	18,501	18,548
8 Mining	601	580	570	574	574	572	573	576	574	573	571
9 Contract construction	4,986	5,158	5,405	5,542	5,604	5,609	5,599	5,628	5,622	5,622	5,632
10 Transportation and public utilities	5,993	6,165	6,318	6,351	6,376	6,405	6,421	6,431	6,434	6,453	6,293
11 Trade	26,670	27,585	28,178	28,487	28,515	28,556	28,651	28,656	28,713	28,814	28,853
12 Finance	6,896	6,830	6,977	6,971	6,980	6,992	7,019	7,029	7,034	7,054	7,065
13 Service	31,579	33,107	34,360	34,990	35,091	35,176	35,334	35,451	35,522	35,677	35,709
14 Government	19,128	19,310	19,459	19,529	19,547	19,545	19,579	19,565	19,639	19,727	19,799

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

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

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1996 Q3	1996 Q4	1997 Q1	1997 Q2[r]	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2[r]
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**115.8**	**117.0**	**118.3**	**119.6**	**139.2**	**140.5**	**141.8**	**143.2**	**83.2**	**83.3**	**83.5**	**83.5**
2 Manufacturing	117.2	118.4	120.0	121.2	142.5	143.9	145.3	146.9	82.3	82.3	82.5	82.5
3 Primary processing[3]	113.2	113.9	114.7	115.7	130.7	131.5	132.2	132.9	86.6	86.6	86.8	87.0
4 Advanced processing[4]	119.1	120.7	122.6	123.8	148.2	150.0	151.9	153.8	80.4	80.4	80.7	80.5
5 Durable goods	127.2	128.1	130.7	133.0	154.5	156.9	159.3	161.8	82.3	81.7	82.0	82.2
6 Lumber and products	110.5	110.1	111.3	114.0	129.1	130.0	131.0	132.0	85.6	84.7	84.9	86.3
7 Primary metals	118.6	119.8	119.7	122.3	129.8	131.0	132.1	133.3	91.4	91.5	90.6	91.8
8 Iron and steel	117.9	118.6	118.3	121.1	131.9	133.5	134.9	136.0	89.4	88.9	87.7	89.0
9 Nonferrous	119.4	121.1	121.3	123.7	127.1	127.8	128.6	129.8	93.9	94.8	94.3	95.3
10 Industrial machinery and equipment	158.9	161.5	166.2	171.3	176.3	181.3	186.5	192.3	90.1	89.1	89.1	89.1
11 Electrical machinery	164.5	167.2	172.1	178.8	200.6	208.5	216.3	224.2	82.0	80.2	79.6	79.8
12 Motor vehicles and parts	131.3	126.0	130.2	125.6	176.1	177.3	178.2	178.7	74.5	71.0	73.0	70.2
13 Aerospace and miscellaneous transportation equipment	86.7	90.4	93.5	96.5	120.2	119.8	119.7	120.5	72.2	75.5	78.1	80.1
14 Nondurable goods	106.5	108.1	108.6	108.6	129.6	130.1	130.6	131.1	82.2	83.0	83.1	82.8
15 Textile mill products	107.9	107.4	107.1	108.3	130.1	130.8	131.3	131.4	82.9	82.1	81.6	82.4
16 Paper and products	109.0	109.8	111.2	112.1	122.9	123.3	123.6	123.9	88.7	89.0	89.9	90.5
17 Chemicals and products	109.2	112.4	112.8	112.7	139.2	140.3	141.5	142.6	78.4	80.1	79.8	79.1
18 Plastics materials	125.3	125.3	127.0	127.8	131.8	134.0	136.2	138.1	95.1	93.5	93.3	92.6
19 Petroleum products	106.7	107.7	108.1	111.4	113.7	113.8	113.9	114.2	93.9	94.6	94.9	97.5
20 Mining	103.7	103.8	105.8	107.2	113.7	113.7	113.8	114.3	91.2	91.3	93.0	93.8
21 Utilities	110.5	113.0	110.9	112.7	125.2	125.9	126.5	127.0	88.2	89.8	87.7	88.8
22 Electric	110.8	112.4	111.5	111.8	123.6	124.4	125.1	125.6	89.6	90.4	89.1	89.0

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1996 Aug.	1997 Mar.	1997 Apr.	1997 May[r]	1997 June[r]	1997 July	1997 Aug.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.3**	**78.1**	**83.2**	**83.6**	**83.6**	**83.5**	**83.5**	**83.6**	**83.9**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	82.3	82.7	82.6	82.4	82.5	82.6	83.1
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.8	86.5	87.3	87.1	87.1	86.9	86.9	87.3
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	80.4	80.7	80.6	80.3	80.6	80.7	81.3
5 Durable goods	89.2	68.9	87.7	63.9	84.5	73.2	82.5	82.3	82.2	82.0	82.4	82.3	83.2
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	86.3	86.3	86.3	86.3	86.3	85.5	85.3
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	91.2	91.5	90.5	92.5	92.3	91.0	92.7
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	89.6	87.7	87.9	90.8	88.2	88.3	89.8
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	93.2	96.3	93.7	94.8	97.5	94.5	96.5
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.4	90.5	88.8	90.0	88.7	88.5	89.3	90.0
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.1	82.0	80.1	79.8	79.4	80.0	80.8	80.6
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	75.4	72.3	70.2	69.2	71.3	68.7	73.0
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	72.0	79.1	79.5	80.0	80.9	81.7	82.6
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	82.0	83.1	83.0	82.9	82.6	82.9	83.0
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	82.7	82.4	82.7	81.7	82.9	82.7	82.7
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	88.0	90.6	90.6	91.1	89.8	92.4	92.0
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	78.1	79.0	79.6	79.0	78.6	78.9	78.8
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	94.9	93.0	93.3	92.5	92.0	...	...
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	94.8	94.9	97.0	98.2	97.4	96.2	97.3
20 Mining	94.3	88.2	96.0	80.3	86.8	86.1	91.9	94.3	92.9	94.6	93.9	93.2	92.2
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	88.5	86.8	89.6	88.5	88.2	88.5	87.4
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	90.2	88.1	90.6	88.0	88.4	89.4	88.0

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. The article contains a description of the new aggregation system for industrial production and capacity utilization. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber, paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products, machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1996 avg.	1996					1997							
			Aug.	Sept	Oct.	Nov	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July	Aug.[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**115.2**	**115.8**	**116.0**	**116.2**	**117.2**	**117.7**	**117.8**	**118.4**	**118.8**	**119.3**	**119.5**	**119.9**	**120.4**	**121.3**
2 Products	60.5	112.0	112.2	112.7	112.8	114.1	114.3	114.2	114.8	115.3	115.4	115.9	116.1	116.3	117.2
3 Final products	46.3	112.8	113.0	113.3	113.6	114.8	115.3	115.1	115.6	116.3	116.6	117.1	117.5	117.9	119.1
4 Consumer goods, total	29.1	110.5	110.1	110.5	110.8	112.3	112.7	111.7	111.6	112.1	112.1	112.6	112.5	112.8	113.5
5 Durable consumer goods	6.1	126.2	128.0	127.1	124.5	127.1	128.4	127.3	129.2	131.0	126.9	128.4	130.5	129.1	131.8
6 Automotive products	2.6	125.8	128.7	127.7	122.0	127.4	127.2	129.6	131.0	131.7	124.4	126.4	128.4	122.9	130.5
7 Autos and trucks	1.7	132.6	138.7	134.6	125.7	133.8	135.5	138.7	138.9	138.9	127.1	130.0	132.6	123.5	137.7
8 Autos, consumer	.9	120.2	132.5	129.9	112.3	123.5	115.9	120.1	122.3	123.3	116.0	117.7	114.9	118.0	125.7
9 Trucks, consumer	.7	147.2	152.3	146.6	147.4	152.4	164.9	167.0	165.0	163.8	146.1	150.5	159.5	135.8	158.3
10 Auto parts and allied goods	.9	114.5	113.5	116.2	114.4	116.4	114.0	115.5	118.1	119.7	118.0	118.8	120.1	118.8	118.7
11 Other	3.5	126.3	127.5	126.6	126.2	126.8	129.1	125.5	127.8	130.4	128.6	129.7	131.8	133.3	132.5
12 Appliances, televisions, and air conditioners	1.0	173.0	175.9	174.2	176.5	176.9	181.1	171.2	179.5	183.6	179.0	181.1	186.9	193.2	193.8
13 Carpeting and furniture	.8	109.9	111.1	110.5	108.6	110.7	109.3	106.0	106.9	111.6	108.6	111.7	114.2	110.3	111.2
14 Miscellaneous home goods	1.6	107.9	108.0	107.6	106.5	106.4	109.6	109.2	109.2	109.9	110.0	109.6	109.6	111.6	109.4
15 Nondurable consumer goods	23.0	106.5	105.6	106.3	107.3	108.5	108.7	107.8	107.2	107.4	108.3	108.6	108.0	108.7	109.0
16 Foods and tobacco	10.3	106.1	105.4	106.1	106.6	107.2	108.2	107.7	108.0	108.7	107.8	107.6	107.0	107.9	108.2
17 Clothing	2.4	95.5	95.4	95.1	95.5	95.0	94.9	94.0	93.8	94.2	94.4	94.8	94.3	94.0	94.0
18 Chemical products	4.5	112.7	111.3	113.5	115.5	117.3	118.8	117.9	116.2	114.9	117.2	118.0	117.3	118.0	118.3
19 Paper products	2.9	101.1	101.8	101.9	102.9	102.9	103.0	101.1	101.5	102.3	102.6	103.4	104.5	105.3	106.2
20 Energy	2.9	112.0	109.4	109.4	110.7	115.3	111.8	110.4	107.6	107.5	113.0	113.5	111.6	112.2	112.2
21 Fuels	.8	106.6	107.7	105.4	108.1	107.8	106.0	105.1	106.2	108.5	110.1	111.9	111.8	110.4	112.9
22 Residential utilities	2.1	114.3	110.0	110.9	111.7	118.5	114.2	112.6	108.0	106.8	114.1	114.0	111.2	112.7	111.6
23 Equipment	17.2	116.8	117.9	118.1	118.4	119.0	119.6	120.8	122.6	123.5	124.3	124.9	126.3	126.7	128.7
24 Business equipment	13.2	126.6	127.7	128.3	128.8	129.8	130.7	132.1	133.8	134.3	135.5	136.1	137.5	139.0	141.7
25 Information processing and related	5.4	143.2	144.6	146.3	147.4	147.1	148.5	149.6	152.4	153.6	155.1	156.5	159.6	161.5	163.3
26 Computer and office equipment	1.1	292.0	306.2	314.3	318.8	323.5	327.1	335.7	343.0	349.9	358.6	366.5	376.6	388.9	402.5
27 Industrial	4.0	126.9	126.7	126.3	127.0	127.1	127.3	127.9	128.2	127.5	130.3	129.3	129.0	131.1	133.4
28 Transit	2.5	100.0	103.0	103.8	101.9	106.6	107.2	109.8	111.8	113.1	110.1	112.1	113.5	114.3	119.2
29 Autos and trucks	1.2	115.3	120.9	117.7	109.4	115.9	113.7	117.2	118.7	118.3	110.0	111.7	112.0	110.6	116.8
30 Other	1.3	116.4	116.1	115.5	118.7	119.9	121.4	123.4	124.4	125.1	128.8	128.2	129.2	129.2	131.1
31 Defense and space equipment	3.3	77.0	77.9	77.7	77.0	76.1	76.2	74.7	75.4	75.6	75.2	75.6	76.1	74.9	75.3
32 Oil and gas well drilling	.6	120.5	122.6	117.5	120.2	120.7	123.6	130.8	140.7	153.4	152.5	154.2	161.4	149.6	146.8
33 Manufactured homes	2	162.0	167.4	165.6	165.3	159.8		156.3	163.5	160.9	168.0	166.4	163.1	166.3	
34 Intermediate products, total	14.2	109.4	110.0	110.6	110.2	111.9	111.3	111.6	112.0	112.1	112.0	112.2	111.7	111.3	111.5
35 Construction supplies	5.3	116.8	119.2	119.8	117.7	120.7	117.8	117.0	120.0	121.8	120.1	120.6	120.3	118.8	119.2
36 Business supplies	8.9	105.1	104.6	105.3	105.8	106.8	107.4	108.4	107.3	106.5	107.2	107.3	106.6	106.9	106.9
37 Materials	39.5	120.3	121.5	121.2	121.7	122.2	123.1	123.4	124.1	124.5	125.5	125.2	125.9	127.0	127.8
38 Durable goods materials	20.8	134.0	136.2	135.5	135.8	136.5	137.8	138.4	139.2	140.2	141.7	141.7	143.3	144.4	146.6
39 Durable consumer parts	4.0	128.8	133.9	128.3	126.6	129.7	130.3	132.1	129.7	129.8	130.5	127.2	130.2	129.8	132.3
40 Equipment parts	7.6	159.2	161.7	162.6	163.4	165.3	167.9	169.4	172.6	175.6	178.1	180.4	183.2	186.7	190.0
41 Other	9.2	118.2	119.2	119.2	120.0	119.1	119.9	119.3	119.8	120.0	121.0	121.0	121.2	121.4	122.8
42 Basic metal materials	3.1	113.1	113.6	114.7	117.2	114.4	115.7	114.9	116.4	116.4	116.7	118.4	118.8	117.7	120.0
43 Nondurable goods materials	8.9	106.4	106.5	106.9	108.0	108.4	109.5	109.6	110.5	110.6	111.3	109.8	109.9	111.1	110.7
44 Textile materials	1.1	106.3	107.4	107.1	108.4	108.5	105.9	106.8	107.7	104.9	109.5	105.4	107.7	108.5	107.9
45 Paper materials	1.8	107.4	108.2	107.0	108.0	110.9	112.5	111.5	113.2	113.8	114.4	114.8	111.1	116.2	115.5
46 Chemical materials	3.9	105.9	106.2	106.8	109.3	107.7	110.2	111.1	111.2	111.2	111.7	109.7	109.6	110.7	110.1
47 Other	2.1	106.1	104.7	106.2	103.9	106.8	106.3	105.3	107.5	108.4	107.8	107.4	109.7	108.3	109.0
48 Energy materials	9.7	103.9	104.0	103.9	103.9	104.0	103.9	103.8	104.0	103.5	103.8	104.1	103.6	104.4	103.4
49 Primary energy	6.3	102.6	103.2	102.2	102.0	101.6	102.6	101.6	102.8	102.3	101.7	102.5	101.7	103.5	102.3
50 Converted fuel materials	3.3	106.2	105.4	107.0	107.5	108.5	106.3	108.0	106.2	105.9	107.6	107.0	107.1	106.2	105.7
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	114.9	115.4	115.7	116.1	116.9	117.4	117.4	118.0	118.5	119.3	119.4	119.8	120.4	121.1
52 Total excluding motor vehicles and parts	95.1	114.6	115.0	115.4	115.9	116.6	117.2	117.1	117.8	118.3	119.0	119.3	119.5	120.2	120.8
53 Total excluding computer and office equipment	98.2	112.9	113.4	113.5	113.7	114.6	115.1	115.1	115.6	116.0	116.4	116.5	116.8	117.3	118.0
54 Consumer goods excluding autos and trucks	27.4	109.2	108.6	109.2	109.9	111.0	111.4	110.3	110.1	110.7	111.1	111.5	111.3	112.0	112.2
55 Consumer goods excluding energy	26.2	110.2	110.2	110.6	110.8	111.8	112.8	111.9	112.1	112.7	111.9	112.4	112.6	112.9	113.7
56 Business equipment excluding autos and trucks	12.0	127.7	128.3	129.3	130.7	131.2	132.4	133.6	135.3	135.9	138.0	138.5	140.1	141.9	144.2
57 Business equipment excluding computer and office equipment	12.1	115.8	116.1	116.3	116.6	117.5	118.2	119.2	120.5	120.7	121.5	121.7	122.7	123.7	125.8
58 Materials excluding energy	29.8	125.4	127.0	126.6	127.1	127.8	129.0	129.4	130.3	131.0	132.2	131.8	132.8	134.0	135.3

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

Group	SIC[2] code	1992 proportion	1996 avg.	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.	1997 May[r]	1997 June[r]	1997 July	1997 Aug.[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	.	**100.0**	**115.2**	**115.8**	**116.0**	**116.2**	**117.2**	**117.7**	**117.8**	**118.4**	**118.8**	**119.3**	**119.5**	**119.9**	**120.4**	**121.3**
60 Manufacturing	.	85.4	116.3	117.2	117.4	117.6	118.5	119.2	119.3	120.1	120.6	120.9	121.0	121.6	122.2	123.4
61 Primary processing	.	26.5	112.2	113.1	113.5	113.8	113.8	114.0	113.8	114.8	115.6	115.6	115.8	115.7	116.0	116.7
62 Advanced processing	..	58.9	118.4	119.2	119.3	119.5	120.8	121.7	122.0	122.6	123.0	123.5	123.6	124.5	125.2	126.7
63 Durable goods	..	45.0	125.7	127.5	127.2	127.1	128.4	128.8	129.5	130.8	131.7	132.3	132.7	134.1	134.7	136.8
64 Lumber and products	24	2.0	109.7	111.4	110.7	109.2	113.1	108.0	108.6	112.0	113.3	113.6	114.0	114.3	113.4	113.6
65 Furniture and fixtures	25	1.4	108.9	108.8	108.8	110.4	110.5	110.5	109.7	110.3	111.0	112.7	113.9	114.5	113.3	114.3
66 Stone, clay, and glass products	32	2.1	111.0	111.8	113.1	111.7	111.8	111.3	112.7	112.5	113.5	113.8	112.8	113.2	113.6	113.9
67 Primary metals	33	3.1	117.2	118.3	119.5	122.1	118.5	118.8	117.8	120.0	121.3	120.2	123.4	123.4	122.0	124.7
68 Iron and steel	331.2	1.7	116.4	118.2	117.4	123.2	115.9	116.7	118.0	118.2	118.7	119.3	123.6	120.3	120.8	123.3
69 Raw steel	331PT	.1	112.2	113.6	112.6	111.5	108.7	112.5	111.7	112.3	114.2	115.5	115.8	115.1	115.4	118.5
70 Nonferrous	333–6,9	1.4	118.0	118.5	121.8	120.7	121.4	121.2	117.6	122.1	124.2	121.3	123.1	126.9	123.3	126.3
71 Fabricated metal products	34	5.0	118.6	119.4	119.3	119.3	119.1	119.5	119.2	119.5	120.4	120.8	121.1	120.7	121.0	121.8
72 Industrial machinery and equipment	35	8.0	156.4	159.6	159.4	159.9	161.7	162.9	164.7	166.6	167.4	171.3	170.5	171.9	175.3	178.4
73 Computer and office equipment	357	1.8	296.9	310.8	319.0	323.6	328.3	332.5	340.3	347.8	354.7	363.8	371.8	382.0	394.4	408.2
74 Electrical machinery	36	7.3	163.3	164.6	165.2	165.6	167.2	168.8	168.6	172.5	175.2	176.7	178.1	181.7	185.5	187.4
75 Transportation equipment	37	9.5	106.1	109.3	107.3	105.3	109.5	109.6	111.9	111.5	111.9	110.6	110.2	112.8	111.3	115.7
76 Motor vehicles and parts	371	4.9	126.9	132.8	127.0	121.2	128.9	127.9	132.0	129.6	128.9	125.3	123.7	127.6	123.1	130.8
77 Autos and light trucks	371PT	2.6	124.6	131.0	127.4	117.3	125.7	125.6	128.8	129.4	129.5	119.1	121.6	123.1	116.9	129.1
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	85.6	86.5	87.9	89.4	90.3	91.5	92.2	93.5	94.8	95.5	96.4	97.7	98.9	100.3
79 Instruments	38	5.4	102.8	103.0	103.0	103.4	103.0	104.1	103.3	104.6	104.7	104.4	105.2	105.8	105.3	106.1
80 Miscellaneous	39	1.3	112.9	112.9	113.0	113.0	114.1	116.6	116.3	117.1	116.3	116.9	117.0	117.5	118.8	118.5
81 Nondurable goods		40.4	106.3	106.2	106.9	107.4	107.9	108.8	108.5	108.6	108.7	108.7	108.7	108.4	109.0	109.3
82 Foods	20	9.4	106.3	105.5	106.2	107.1	107.6	108.2	108.2	108.4	109.2	108.3	108.1	107.9	108.6	108.7
83 Tobacco products	21	1.6	105.6	104.1	104.9	104.0	105.4	108.9	104.6	105.7	106.9	105.5	104.2	102.8	104.2	106.0
84 Textile mill products	22	1.8	106.6	107.7	107.2	107.6	108.2	106.3	106.3	106.9	108.2	108.6	107.3	109.0	108.8	108.8
85 Apparel products	23	2.2	98.2	98.5	98.2	97.8	97.3	97.2	96.2	95.8	96.3	96.1	96.4	96.6	96.1	95.2
86 Paper and products	26	3.6	108.0	108.1	108.8	107.6	110.1	111.6	110.3	111.1	112.1	112.2	112.8	111.4	114.7	114.3
87 Printing and publishing	27	6.7	98.4	97.9	99.1	99.7	100.0	99.8	100.5	100.6	99.7	99.6	99.8	99.3	99.5	100.0
88 Chemicals and products	28	9.9	108.9	108.7	109.7	111.3	111.8	114.0	113.7	112.8	112.0	113.3	112.7	112.3	113.2	113.2
89 Petroleum products	29	1.4	106.5	107.8	106.9	108.4	107.4	107.3	107.4	108.6	108.1	110.7	112.1	111.3	110.1	111.4
90 Rubber and plastic products	30	3.5	120.5	122.0	122.8	121.4	121.7	122.6	121.1	123.1	124.0	122.3	123.4	124.0	123.7	125.3
91 Leather and products	31	.3	80.0	79.5	79.4	78.4	77.3	80.1	78.3	77.6	78.4	78.8	77.0	75.5	74.9	75.6
92 Mining	.	6.9	102.9	104.5	103.4	103.4	103.5	104.5	103.6	106.3	107.5	106.0	108.1	107.4	106.8	105.8
93 Metal	10	.5	102.0	104.0	105.3	105.6	102.5	106.3	105.7	105.7	104.8	103.5	104.2	105.6	104.3	104.3
94 Coal	12	1.0	105.9	109.6	106.2	107.5	108.8	109.5	106.4	109.6	105.2	104.1	115.9	107.4	114.1	109.8
95 Oil and gas extraction	13	4.8	100.3	101.1	100.5	100.0	100.2	100.7	100.8	103.1	105.4	104.5	105.0	105.5	103.8	103.3
96 Stone and earth minerals	14	.6	118.7	121.7	118.5	120.0	120.2	122.9	117.2	125.0	128.8	122.3	121.3	123.0	118.9	119.1
97 Utilities	.	7.7	112.8	110.8	111.1	111.9	114.5	112.6	112.7	110.2	109.9	113.6	112.4	112.1	112.7	111.4
98 Electric	491,493PT	6.2	112.7	111.5	110.9	112.0	112.7	112.6	113.2	110.9	110.3	113.6	110.5	111.1	112.6	111.0
99 Gas	492,493PT	1.6	113.2	108.5	111.8	111.3	120.9	112.7	110.9	107.6	108.7	113.2	119.0	115.6	112.7	112.7
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	.	80.5	115.7	116.3	116.8	117.3	117.9	118.6	118.6	119.5	120.0	120.6	120.8	121.2	122.1	122.9
101 Manufacturing excluding office and computing machines	..	83.6	113.7	114.4	114.5	114.7	115.5	116.1	116.2	116.9	117.3	117.5	117.6	118.0	118.5	119.6
		Gross value (billions of 1992 dollars, annual rates)														
MAJOR MARKETS																
102 **Products, total**	.	**2,001.9**	**2,258.7**	**2,272.9**	**2,273.4**	**2,270.7**	**2,303.5**	**2,301.1**	**2,302.9**	**2,315.3**	**2,327.5**	**2,324.7**	**2,337.5**	**2,340.7**	**2,340.5**	**2,367.3**
103 Final	.	1,552.1	1,760.9	1,773.6	1,771.6	1,771.8	1,795.1	1,796.8	1,798.4	1,808.8	1,819.6	1,816.4	1,827.8	1,833.6	1,835.7	1,862.2
104 Consumer goods	.	1,049.6	1,162.2	1,165.5	1,163.0	1,164.7	1,182.2	1,182.3	1,176.3	1,177.7	1,184.7	1,179.4	1,187.3	1,186.7	1,186.0	1,199.0
105 Equipment	.	502.5	598.0	607.4	607.8	606.3	612.1	613.7	621.4	630.4	634.2	636.4	639.9	646.3	649.2	662.8
106 Intermediate	.	449.9	498.2	499.7	502.1	499.3	508.6	504.9	505.1	507.2	508.7	508.9	510.5	508.2	506.1	507.0

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.
2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1994	1995	1996	1996			1997						
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,372	1,333	1,426	1,349	1,391	1,405	1,395	1,438	1,457	1,442	1,432	1,402	1,414
2 One-family	1,069	997	1,070	1,003	1,016	999	1,052	1,069	1,034	1,060	1,053	1,049	1,030
3 Two-family or more	303	335	356	346	375	406	343	369	423	382	379	353	384
4 Started	1,457	1,354	1,477	1,407	1,486	1,353	1,375	1,554	1,479	1,483	1,402	1,503	1,432
5 One-family	1,198	1,076	1,161	1,104	1,133	1,024	1,125	1,237	1,142	1,133	1,098	1,134	1,128
6 Two-family or more	259	278	316	303	353	329	250	317	337	350	304	369	304
7 Under construction at end of period[1]	755	775	819	825	828	815	818	821	814	812	815	828	837
8 One-family	584	554	584	588	584	571	573	574	566	563	564	566	571
9 Two-family or more	171	221	235	237	244	244	245	247	248	249	251	262	266
10 Completed	1,346	1,319	1,407	1,375	1,431	1,484	1,362	1,572	1,471	1,460	1,388	1,311	1,294
11 One-family	1,161	1,073	1,124	1,129	1,151	1,177	1,109	1,267	1,156	1,158	1,101	1,090	1,040
12 Two-family or more	185	246	283	246	280	307	253	305	315	302	287	221	254
13 Mobile homes shipped	305	341	362	364	354	338	339	353	353	372	356	356	358
Merchant builder activity in one-family units													
14 Number sold	670	667	757	706	788	794	822	826	825	765r	770	810	817
15 Number for sale at end of period[1]	340	374	326	330	327	322	308	300	287	291r	288	287	287
Price of units sold (thousands of dollars)[2]													
16 Median	130.0	133.9	140.0	143.8	143.5	144.9	145.0	143.0	148.0	150.0	139.9	143.8	146.7
17 Average	154.5	158.7	166.4	168.4	172.0	171.8	171.9	171.1	172.7	179.5r	168.3	178.5	176.4
EXISTING UNITS (one-family)													
18 Number sold	3,967	3,812	4,087	4,000	4,060	3,950	3,910	4,230	4,160	4,060	4,250	4,150	4,180
Price of units sold (thousands of dollars)[2]													
19 Median	109.9	113.1	118.2	116.6	117.4	118.8	120.6	117.5	120.0	120.7	123.1	127.2	126.5
20 Average	136.8	139.1	145.5	143.6	144.1	147.1	149.6	144.7	147.5	150.4	153.1	158.4	157.6
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**518,644**	**534,463**	**567,179**	**584,140**	**586,226**	**579,109**	**577,116**	**592,365**	**593,908**	**596,241**	**595,182**	**595,847**	**598,730**
22 Private	398,646	407,370	435,929	448,951	448,907	447,045	444,391	452,037	452,728	456,944	459,330	458,277	462,183
23 Residential	238,423	231,230	246,659	247,901	248,259	247,899	246,661	251,402	253,974	259,964	260,165	257,524	259,852
24 Nonresidential	160,223	176,140	189,271	201,050	200,648	199,146	197,730	200,635	198,754	196,980	199,165	200,753	202,331
25 Industrial buildings	28,893	32,505	31,997	34,738	33,244	30,752	31,871	32,161	30,520	29,450	30,531	31,902	34,072
26 Commercial buildings	59,480	68,223	74,593	79,864	80,144	78,395	81,979	83,107	81,015	76,488	78,854	79,802	79,323
27 Other buildings	26,988	27,089	30,525	32,024	33,454	34,409	34,257	35,561	36,012	38,216	37,692	36,457	36,280
28 Public utilities and other	44,862	48,323	52,156	54,424	53,806	55,590	49,623	49,806	51,207	52,826	52,088	52,592	52,656
29 Public	119,998	127,092	131,250	135,188	137,319	132,064	132,725	140,328	141,180	139,297	135,851	137,570	136,547
30 Military	2,310	2,983	2,541	2,531	2,365	2,241	2,542	2,564	2,232	2,433	2,559	2,583	2,679
31 Highway	36,933	36,319	37,898	38,367	38,610	39,585	37,869	41,060	41,473	42,410	40,655	41,874	40,442
32 Conservation and development	6,459	6,391	5,807	5,573	5,710	5,223	5,807	5,727	6,114	5,069	5,237	5,013	5,053
33 Other	74,297	81,399	85,005	88,717	90,634	85,015	86,507	90,977	91,361	89,385	87,400	88,100	88,373

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

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Aug. 1997[1]
	1996 Aug.	1997 Aug.	1996		1997		1997					
			Sept.	Dec.	Mar.	June	Apr.	May	June	July	Aug.	
CONSUMER PRICES[2] (1982–84 = 100)												
1 **All items**	**2.9**	**2.2**	**3.1**	**3.3**	**1.8**	**1.0**	**.1**	**.1**	**.1**	**.2**	**.2**	**160.8**
2 Food	3.6	2.5	5.3	3.4	.3	1.5	-.2	.4	.2	.3	.4	157.6
3 Energy items	3.9	.8	1.1	16.2	-2.8	-14.7	-1.5	-2.4	.0	-.1	1.7	112.5
4 All items less food and energy	2.6	2.3	2.7	2.4	2.4	2.4	.3	.2	.1	.2	.1	169.6
5 Commodities	1.0	.6	1.1	.9	1.1	.6	.3	.1	-.2	-.1	-.3	141.2
6 Services	3.3	3.0	3.4	3.1	2.7	3.5	.3	.3	.3	.3	.2	185.8
PRODUCER PRICES (1982 = 100)												
7 Finished goods	3.0	-.2	2.5	4.3	-3.3	-3.6	-.5	-.3	-.1	-.1	.3	131.7
8 Consumer foods	5.0	-.4	4.6	2.4	-2.0	-3.5	-.4	.4	-.9	-.2	.3	134.8
9 Consumer energy	6.5	-.7	7.0	26.2	-16.9	-15.1	-3.2[r]	-1.6[r]	.7	.1	1.4	84.0
10 Other consumer goods	1.6	.2	.6	.6	.6	-.6	.0	-.3	.1	-.1	.1	144.5
11 Capital equipment	1.2	-.4	1.2	-.6	.0	-1.2	-.1	-.3[r]	.1	-.1	.0	137.7
Intermediate materials												
12 Excluding foods and feeds	-.7	-.1	1.0	2.2	-1.9	-1.9	-.4	-.2	.2	-.2	.2	125.6
13 Excluding energy	-1.8	.4	.0	-.3	.6	.3	.0	0	.1	.0	.1	134.2
Crude materials												
14 Foods	23.6	-13.7	-9.4	-28.5	-2.8	-10.1	3.1[r]	-.2[r]	-5.4	.3	-.1	111.7
15 Energy	27.7	-4.5	18.7	235.2	-75.5	10.2	-.9[r]	6.5[r]	-2.9	-.4	1.7	80.0
16 Other	-12.1	3.3	-2.6	-1.3	15.7	-3.5	-2.3[r]	1.0[r]	.4	-.5	.8	157.9

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

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

Account	1994	1995	1996	1996			1997	
				Q2	Q3	Q4	Q1	Q2[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,947.0**	**7,265.4**	**7,636.0**	**7,607.7**	**7,676.0**	**7,792.9**	**7,933.6**	**8,034.3**
By source								
2 Personal consumption expenditures	4,717.0	4,957.7	5,207.6	5,189.1	5,227.4	5,308.1	5,405.7	5,432.1
3 Durable goods	579.5	608.5	634.5	638.6	634.5	638.2	658.4	644.5
4 Nondurable goods	1,428.4	1,475.8	1,534.7	1,532.3	1,538.3	1,560.1	1,587.4	1,578.9
5 Services	2,709.1	2,873.4	3,038.4	3,018.2	3,054.6	3,109.8	3,159.9	3,208.7
6 Gross private domestic investment	1,007.9	1,038.2	1,116.5	1,105.4	1,149.2	1,151.1	1,193.6	1,242.0
7 Fixed investment	946.6	1,008.1	1,090.7	1,082.0	1,112.0	1,119.2	1,127.5	1,160.8
8 Nonresidential	660.6	723.0	781.4	769.3	798.6	807.2	811.3	836.3
9 Structures	184.5	200.6	215.2	210.6	217.7	227.0	227.4	226.8
10 Producers' durable equipment	476.1	522.4	566.2	558.7	580.9	580.2	583.9	609.5
11 Residential structures	286.0	285.1	309.2	312.7	313.5	312.0	316.2	324.6
12 Change in business inventories	61.2	30.1	25.9	23.4	37.1	31.9	66.1	81.1
13 Nonfarm	50.5	38.1	23.0	17.2	31.3	28.7	62.2	74.9
14 Net exports of goods and services	90.9	−86.0	−94.8	−93.8	−114.0	−88.6	−98.8	−88.7
15 Exports	721.2	818.4	870.9	865.0	863.7	904.6	922.2	960.3
16 Imports	812.1	904.5	965.7	958.7	977.6	993.2	1,021.0	1,049.0
17 Government consumption expenditures and gross investment	1,313.0	1,355.5	1,406.7	1,407.0	1,413.5	1,422.3	1,433.1	1,449.0
18 Federal	510.2	509.6	520.0	524.6	521.6	517.6	516.1	526.1
19 State and local	802.8	846.0	886.7	882.4	891.9	904.7	917.0	923.0
By major type of product								
20 Final sales, total	6,885.7	7,235.3	7,610.2	7,584.3	7,638.9	7,761.0	7,867.4	7,953.2
21 Goods	2,520.2	2,637.9	2,759.3	2,759.3	2,760.7	2,795.0	2,838.4	2,854.9
22 Durable	1,072.5	1,133.9	1,212.0	1,214.8	1,216.3	1,233.5	1,248.0	1,275.3
23 Nondurable	1,447.6	1,503.9	1,547.3	1,544.5	1,544.4	1,561.5	1,590.4	1,579.6
24 Services	3,772.4	3,980.7	4,187.3	4,162.2	4,208.1	4,282.7	4,338.2	4,400.1
25 Structures	593.2	616.8	663.6	662.8	670.1	683.3	690.8	698.2
26 Change in business inventories	61.2	30.1	25.9	23.4	37.1	31.9	66.1	81.1
27 Durable goods	33.6	29.1	16.9	18.1	33.3	−1.1	31.8	46.8
28 Nondurable goods	27.7	1.1	9.0	5.3	3.9	33.0	34.3	34.4
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,610.7**	**6,742.1**	**6,928.4**	**6,926.0**	**6,943.8**	**7,017.4**	**7,101.6**	**7,159.6**
NATIONAL INCOME								
30 **Total**	**5,590.7**	**5,912.3**	**6,254.5**	**6,229.4**	**6,303.3**	**6,376.5**	**6,510.0**	**6,599.0**
31 Compensation of employees	4,012.0	4,215.4	4,426.9	4,403.9	4,461.0	4,520.7	4,606.3	4,663.4
32 Wages and salaries	3,254.0	3,442.6	3,633.6	3,612.3	3,664.0	3,718.0	3,792.7	3,842.7
33 Government and government enterprises	602.2	623.0	642.6	640.3	645.5	648.9	657.8	662.0
34 Other	2,651.8	2,819.6	2,991.0	2,972.0	3,018.4	3,069.0	3,134.9	3,180.8
35 Supplement to wages and salaries	758.0	772.9	793.3	791.5	797.0	802.7	813.6	820.7
36 Employer contributions for social insurance	353.0	366.0	385.7	383.6	388.6	393.6	401.3	405.6
37 Other labor income	405.0	406.8	407.6	407.9	408.4	409.1	412.3	415.1
38 Proprietors' income[1]	471.6	489.0	520.3	520.0	523.8	528.3	534.6	543.6
39 Business and professional[1]	434.7	465.5	483.1	483.5	483.7	487.9	494.4	500.0
40 Farm[1]	36.9	23.4	37.2	36.5	40.1	40.4	40.2	43.6
41 Rental income of persons[2]	124.4	132.8	146.3	144.6	148.0	149.2	149.0	148.7
42 Corporate profits[1]	570.5	650.0	735.9	738.5	739.6	747.8	779.6	795.1
43 Profits before tax[3]	535.1	622.6	676.6	682.2	679.1	680.0	708.4	719.8
44 Inventory valuation adjustment	16.1	24.3	2.5	−5.4	−2.7	3.3	3.5	5.9
45 Capital consumption adjustment	51.4	51.6	61.8	61.6	63.2	64.4	67.7	69.4
46 Net interest	412.3	425.1	425.1	422.5	430.9	430.6	440.5	448.1

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

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

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

Account	1994	1995	1996	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,791.8**	**6,150.8**	**6,495.2**	**6,461.3**	**6,541.9**	**6,618.4**	**6,746.2**	**6,829.1**
2 Wage and salary disbursements	3,240.7	3,429.5	3,632.5	3,611.2	3,662.8	3,716.9	3,791.5	3,841.6
3 Commodity-producing industries	824.4	864.4	909.1	906.3	917.2	927.8	942.9	952.8
4 Manufacturing	620.8	648.4	674.7	674.1	680.1	685.6	694.1	700.3
5 Distributive industries	741.4	783.1	823.3	819.2	829.0	840.6	856.8	867.0
6 Service industries	1,072.7	1,159.0	1,257.5	1,245.3	1,271.1	1,299.5	1,334.1	1,359.8
7 Government and government enterprises	602.2	623.0	642.6	640.3	645.5	648.9	657.8	662.0
8 Other labor income	405.0	406.8	407.6	407.9	408.4	409.1	412.3	415.1
9 Proprietors' income[1]	471.6	489.0	520.3	520.0	523.8	528.3	534.6	543.6
10 Business and professional[1]	434.7	465.5	483.1	483.5	483.7	487.9	494.4	500.0
11 Farm[1]	36.9	23.4	37.2	36.5	40.1	40.4	40.2	43.6
12 Rental income of persons[2]	124.4	132.8	146.3	144.6	148.0	149.2	149.0	148.7
13 Dividends	204.8	251.9	291.2	290.0	292.0	295.2	312.5	318.3
14 Personal interest income	668.1	718.9	735.7	727.8	742.7	749.8	757.2	766.1
15 Transfer payments	954.7	1,015.0	1,068.0	1,064.8	1,072.4	1,081.5	1,107.2	1,117.0
16 Old-age survivors, disability, and health insurance benefits	473.0	507.8	537.6	535.4	540.0	545.6	558.9	564.4
17 LESS: Personal contributions for social insurance	277.5	293.1	306.3	305.0	308.2	311.5	318.2	321.3
18 EQUALS: Personal income	5,791.8	6,150.8	6,495.2	6,461.3	6,541.9	6,618.4	6,746.2	6,829.1
19 LESS: Personal tax and nontax payments	739.1	795.1	886.9	887.8	897.3	922.6	955.7	979.2
20 EQUALS: Disposable personal income	5,052.7	5,355.7	5,608.3	5,573.5	5,644.6	5,695.8	5,790.5	5,849.9
21 LESS: Personal outlays	4,842.1	5,101.1	5,368.8	5,347.8	5,390.6	5,475.4	5,574.6	5,602.8
22 EQUALS: Personal saving	210.6	254.6	239.6	225.7	254.0	220.4	215.9	247.0
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	25,357.0[r]	25,615.9[r]	26,085.8	26,106.3[r]	26,114.3[r]	26,331.7[r]	26,597.8	26,764.9
24 Personal consumption expenditures	17,207.2[r]	17,459.3[r]	17,748.9[r]	17,761.8	17,744.3[r]	17,847.7[r]	18,045.3[r]	18,053.8
25 Disposable personal income	18,431.0	18,861.0	19,116.0	19,081.0	19,161.0	19,152.0	19,331.0	19,439.0
26 Saving rate (percent)	4.2	4.8	4.3	4.1	4.5	3.9	3.7	4.2
GROSS SAVING								
27 **Gross saving**	**1,079.2**	**1,165.5**	**1,267.8**	**1,256.3**	**1,295.9**	**1,303.0**	**1,332.9**	**1,396.9**
28 Gross private saving	1,030.2	1,093.1	1,125.5	1,106.3	1,145.1	1,131.4	1,134.0	1,178.1
29 Personal saving	210.6	254.6	239.6	225.7	254.0	220.4	215.9	247.0
30 Undistributed corporate profits[1]	167.6	172.4	202.1	202.6	202.3	212.6	211.5	217.6
31 Corporate inventory valuation adjustment	−16.1	−24.3	−2.5	−5.4	−2.7	3.3	3.5	5.9
Capital consumption allowances								
32 Corporate	412.3	428.9	452.3	448.5	455.5	462.0	467.4	472.6
33 Noncorporate	226.3	224.1	230.5	228.3	232.2	235.2	238.0	239.7
34 Gross government saving	49.0	72.4	142.3	150.0	150.8	171.6	198.9	218.8
35 Federal	−117.2	−103.6	−39.3	−40.2	−28.3	−5.9	15.9	34.7
36 Consumption of fixed capital	69.5	70.9	71.2	71.4	71.2	71.3	71.4	71.5
37 Current surplus or deficit (−), national accounts	−186.7	−174.4	−110.5	−111.6	−99.5	−77.1	−55.5	−36.8
38 State and local	166.2	176.0	181.5	190.2	179.1	177.5	182.9	184.1
39 Consumption of fixed capital	69.4	72.9	76.2	75.8	76.5	77.2	78.2	79.2
40 Current surplus or deficit (−), national accounts	96.8	103.1	105.3	114.4	102.6	100.4	104.7	104.9
41 **Gross investment**	**1,093.8**	**1,137.2**	**1,207.9**	**1,206.0**	**1,216.4**	**1,243.5**	**1,268.6**	**1,323.4**
42 Gross private domestic investment	1,007.9	1,038.2	1,116.5	1,105.4	1,149.2	1,151.1	1,193.6	1,242.0
43 Gross government investment	206.0	213.4	224.3	226.3	223.6	225.3	223.3	227.4
44 Net foreign investment	−120.0	−114.4	−132.9	−125.6	−156.4	−132.9	−148.4	−146.0
45 **Statistical discrepancy**	**14.6**	**−28.2**	**−59.9**	**−50.2**	**−79.5**	**−59.5**	**−64.3**	**−73.5**

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

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1994	1995	1996	1996			1997	
				Q2	Q3	Q4	Q1	Q2^p
1 Balance on current account	−133,538	−129,095	−148,184	−35,585	−42,833	−36,874	−39,972	−39,030
2 Merchandise trade balance[2]	−166,192	−173,560	−191,170	−47,562	−52,493	−48,190	−49,787	−46,903
3 Merchandise exports	502,398	575,871	612,069	153,411	150,764	157,846	162,527	171,489
4 Merchandise imports	−668,590	−749,431	−803,239	−200,973	−203,257	−206,036	−212,314	−218,392
5 Military transactions, net	1,874	3,866	3,786	1,214	792	1,295	437	782
6 Other service transactions, net	59,902	67,837	76,344	18,569	19,185	20,697	20,050	19,708
7 Investment income, net	9,723	6,808	2,824	883	−1,370	1,250	−1,990	−3,554
8 U.S. government grants	−15,671	−11,096	−14,933	−2,423	−2,690	−5,499	−2,109	−2,255
9 U.S. government pensions and other transfers	−4,544	−3,420	−4,331	−1,081	−1,064	−1,050	−1,083	−1,128
10 Private remittances and other transfers	−18,630	−19,530	−20,704	−5,185	−5,193	−5,377	−5,490	−5,680
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−352	−549	−690	−358	162	−284	−21	−238
12 Change in U.S. official reserve assets (increase, −)	5,346	−9,742	6,668	−523	7,489	−315	4,480	−236
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−441	−808	370	−133	848	−146	72	−133
15 Reserve position in International Monetary Fund	494	−2,466	−1,280	−220	−183	−28	1,055	54
16 Foreign currencies	5,293	−6,468	7,578	−170	6,824	−141	3,353	−157
17 Change in U.S. private assets abroad (increase, −)	−165,510	−296,916	−358,422	−48,817	−85,193	−153,837	−132,428	−95,018
18 Bank-reported claims[3]	−4,200	−75,108	−98,186	192	−33,589	−66,657	−62,026	−29,612
19 Nonbank-reported claims	−31,739	−34,997	−64,234	−5,047	−17,294	−26,115	−29,466	.
20 U.S. purchases of foreign securities, net	−60,309	−100,074	−108,189	−20,328	−23,206	−30,200	−14,510	−21,325
21 U.S. direct investments abroad, net	−69,262	−86,737	−87,813	−23,634	−11,104	−30,865	−26,426	−29,081
22 Change in foreign official assets in United States (increase, +)	40,385	110,729	122,354	13,154	24,089	33,097	28,891	−3,719
23 U.S. Treasury securities	30,750	68,977	111,253	−3,383	25,472	33,564	23,289	−8,444
24 Other U.S. government obligations	6,077	3,735	4,381	1,258	1,217	1,854	651	644
25 Other U.S. government liabilities[4]	2,366	744	720	−204	907	160	478	804
26 Other U.S. liabilities reported by U.S. banks[3]	3,665	34,008	4,722	14,198	−1,922	−4,270	7,698	2,346
27 Other foreign official assets[5]	−2,473	3,265	1,278	1,285	−1,585	1,789	−3,225	931
28 Change in foreign private assets in United States (increase, +)	256,952	340,505	425,201	92,960	134,540	161,482	153,347	155,368
29 U.S. bank-reported liabilities[3]	104,338	30,176	9,784	2,319	2,040	38,960	17,387	27,143
30 U.S. nonbank-reported liabilities	−7,710	34,588	31,786	7,288	20,610	−2,912	15,210	.
31 Foreign private purchases of U.S. Treasury securities, net	34,274	99,548	155,578	31,212	43,402	67,338	.	...
32 Foreign purchases of other U.S. securities, net	56,971	96,367	133,798	29,761	35,115	32,447	38,820	51,537
33 Foreign direct investments in United States, net	45,679	67,526	76,955	17,440	25,977	17,661	30,641	28,872
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−3,283	−14,931	−46,927	−20,831	−38,254	−3,269	−14,297	−17,127
36 Due to seasonal adjustment	..	...	.	−1,076	−7,830	2,669	7,059	−1,768
37 Before seasonal adjustment	−3,284	−14,931	−46,926	−19,755	−30,424	−5,938	−21,356	−15,359
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	5,346	−9,742	6,668	−523	7,489	−315	4,480	−236
39 Foreign official assets in United States, excluding line 25 (increase, +)	38,019	109,985	121,634	13,358	23,182	32,937	28,413	−4,523
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−1,529	4,239	12,278	5,239	5,263	3,315	9,272	2,563

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institutions as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1994	1995	1996	1997						
				Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June	July[p]
1 Goods and services, balance	−104,416	−101,857	−111,040	−11,610	−9,856	−7,831	−8,794	−9,557	−8,293	−10,344
2 Merchandise	−166,192	−173,560	−191,170	−18,148	−16,761	−14,877	−15,527	−16,363	−15,244	−17,108
3 Services	61,776	71,703	80,130	6,538	6,905	7,046	6,733	6,806	6,951	6,764
4 Goods and services, exports	699,646	794,610	848,833	71,848	74,282	78,124	77,791	77,742	78,515	77,381
5 Merchandise	502,398	575,871	612,069	51,686	53,687	57,155	57,162	56,871	57,378	56,451
6 Services	197,248	218,739	236,764	20,162	20,595	20,969	20,629	20,871	21,137	20,930
7 Goods and services, imports	−804,062	−896,467	−959,873	−83,458	−84,138	−85,955	−86,585	−87,299	−86,808	−87,725
8 Merchandise	−668,590	−749,431	−803,239	−69,834	−70,448	−72,032	−72,689	−73,234	−72,622	−73,559
9 Services	−135,472	−147,036	−156,634	−13,624	−13,690	−13,923	−13,896	−14,065	−14,186	−14,166

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	1994	1995	1996	1997							
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1 **Total**	**74,335**	**85,832**	**75,090**	**68,200**	**67,482**	**67,222**	**65,873**	**68,054**	**67,813**	**66,120**	**66,641**
2 Gold stock, including Exchange Stabilization Fund[1]	11,051	11,050	11,049	11,048	11,051	11,050	11,051	11,051	11,050	11,051	11,051
3 Special drawing rights[2,3]	10,039	11,037	10,312	9,793	9,866	9,879	9,726	10,050	10,023	9,810	9,985
4 Reserve position in International Monetary Fund[2]	12,030	14,649	15,435	14,372	14,037	13,846	13,660	13,805	13,805	13,677	13,959
5 Foreign currencies[4]	41,215	49,096	38,294	32,987	32,528	32,447	31,436	32,935	32,935	31,582	31,646

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	1994	1995	1996	1997							
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1 **Deposits**	**250**	**386**	**167**	**167**	**229**	**16**	**169**	**176**	**178**	**175**	**169**
Held in custody											
2 U.S. Treasury securities[2]	441,866	522,170	638,049	646,130	662,375	672,059	668,536	662,747	652,077	653,157	660,461
3 Earmarked gold[3]	12,033	11,702	11,197	11,197	11,175	11,034	10,944	10,868	10,794	10,793	10,793

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	1995	1996	1997						
			Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June	July[p]
1 **Total**[1]	**630,918**	**759,065**	**769,763**	**778,771**	**786,483**	**781,661**	**785,858**	**781,036**	**781,251**
By type									
2 Liabilities reported by banks in the United States[2]	107,394	113,098	120,945	118,026	120,616	118,824	127,075	125,064	129,047
3 U.S. Treasury bills and certificates[3]	168,534	198,921	193,621	196,555	196,219	186,432	178,366	163,949	161,454
U.S. Treasury bonds and notes									
4 Marketable	293,690	380,565	388,396	398,519	405,625	413,007	416,383	426,757	424,258
5 Nonmarketable[4]	6,491	5,968	6,007	6,043	6,084	5,692	5,730	5,767	5,804
6 U.S. securities other than U.S. Treasury securities[5]	54,809	60,513	60,794	59,628	57,939	57,706	58,304	59,499	60,688
By area									
7 Europe[1]	222,406	257,480	266,645	265,441	269,222	268,321	268,538	272,923	270,648
8 Canada	19,473	21,343	21,151	21,237	21,997	19,677	20,196	20,577	21,009
9 Latin America and Caribbean	66,721	81,887	77,543	79,543	81,088	77,369	82,662	90,238	94,809
10 Asia	311,016	385,048	392,930	401,423	401,345	403,832	402,491	382,297	380,334
11 Africa	6,296	7,379	6,717	7,411	7,908	7,765	8,643	8,890	8,882
12 Other countries	5,004	5,926	4,775	3,714	4,921	4,695	3,326	6,109	5,567

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1]
Payable in Foreign Currencies

Millions of dollars, end of period

Item	1993	1994	1995	1996		1997	
				Sept.	Dec.	Mar.	June
1 Banks' liabilities	78,259	89,258	109,713	111,140	103,383	109,238	109,433
2 Banks' claims	62,017	60,711	74,016	68,120	66,018	72,589	84,665
3 Deposits	20,993	19,661	22,696	24,026	22,467	24,542	26,503
4 Other claims	41,024	41,050	51,320	44,094	43,551	48,047	58,162
5 Claims of banks' domestic customers[2]	12,854	10,878	6,145	7,390	10,978	9,357	11,292

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1994	1995	1996[r]	1997						
				Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June	July[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,014,996**	**1,099,549**	**1,161,993**	**1,157,115**	**1,179,323**	**1,173,370**	**1,181,658**	**1,192,659**	**1,184,108**	**1,191,399**
2 Banks' own liabilities	718,591	753,461	758,998	765,290	782,753	782,904	796,583	812,038	801,609	805,275
3 Demand deposits	23,386	24,448	27,034	26,228	25,086	28,063	29,745	26,494	29,802	27,756
4 Time deposits[2]	186,512	192,558	187,956	187,265	190,257	189,873	183,860	184,347	186,166	186,729
5 Other[3]	113,215	140,165	142,464	158,386	161,323	151,428	161,353	161,705	167,062	177,994
6 Own foreign offices[4]	395,478	396,290	401,544	393,411	406,087	413,540	421,625	439,492	418,579	412,796
7 Banks' custodial liabilities[5]	296,405	346,088	402,995	391,825	396,570	390,466	385,075	380,621	382,499	386,124
8 U.S. Treasury bills and certificates[6]	162,938	197,355	236,874	228,855	231,280	230,074	221,387	207,894	205,791	205,548
9 Other negotiable and readily transferable instruments[7]	42,539	52,200	72,011	70,156	66,809	63,102	67,074	72,716	75,236	78,348
10 Other	90,928	96,533	94,110	92,814	98,481	97,290	96,614	100,011	101,472	102,228
11 Nonmonetary international and regional organizations[8]	8,606	11,039	13,972	14,957	14,714	12,212	13,059	12,347	13,952	11,145
12 Banks' own liabilities	8,176	10,347	13,355	14,170	14,297	11,793	12,787	12,132	13,496	10,733
13 Demand deposits	29	21	29	55	51	49	30	16	775	86
14 Time deposits[2]	3,298	4,656	5,784	5,792	5,035	6,952	5,238	4,857	6,669	4,699
15 Other[3]	4,849	5,670	7,542	8,323	9,211	4,792	7,519	7,259	6,052	5,948
16 Banks' custodial liabilities[5]	430	692	617	787	417	419	272	215	456	412
17 U.S. Treasury bills and certificates[6]	281	350	352	494	307	246	174	122	65	47
18 Other negotiable and readily transferable instruments[7]	149	341	265	293	110	158	98	88	383	365
19 Other	0	1	0	0	0	15	0	5	8	0
20 Official institutions[9]	212,957	275,928	312,019	314,566	314,581	316,835	305,256	305,441	289,013	290,501
21 Banks' own liabilities	59,935	83,447	79,406	88,190	87,317	90,701	86,794	92,847	96,959	101,811
22 Demand deposits	1,564	2,098	1,511	1,290	1,378	2,390	2,345	1,857	1,559	1,714
23 Time deposits[2]	23,511	30,717	33,336	32,646	34,457	32,691	33,428	36,627	39,693	41,936
24 Other[3]	34,860	50,632	44,559	54,254	51,482	55,620	51,021	54,363	55,707	58,161
25 Banks' custodial liabilities[5]	153,022	192,481	232,613	226,376	227,264	226,134	218,462	212,594	192,054	188,690
26 U.S. Treasury bills and certificates[6]	139,571	168,534	198,921	193,621	196,555	196,219	186,432	178,366	163,949	161,454
27 Other negotiable and readily transferable instruments[7]	13,245	23,603	33,266	32,595	30,362	29,532	31,883	33,976	27,676	26,683
28 Other	206	344	426	160	347	383	147	252	429	553
29 Banks[10]	678,532	691,412	694,835	679,921	693,210	697,208	710,687	718,551	728,817	732,053
30 Banks' own liabilities	563,617	567,834	562,898	553,645	562,657	567,845	580,231	591,296	576,978	575,459
31 Unaffiliated foreign banks	168,139	171,544	161,354	160,234	156,570	154,305	158,606	151,804	158,399	162,663
32 Demand deposits	10,633	11,758	13,692	12,898	11,642	13,360	14,909	12,957	14,954	13,761
33 Time deposits[2]	111,171	103,471	90,811	90,123	89,723	88,784	83,540	81,585	80,347	81,126
34 Other[3]	46,335	56,315	56,851	57,213	55,205	52,161	60,157	57,262	63,098	67,776
35 Own foreign offices[4]	395,478	396,290	401,544	393,411	406,087	413,540	421,625	439,492	418,579	412,796
36 Banks' custodial liabilities[5]	114,915	123,578	131,937	126,276	130,553	129,363	130,456	127,255	151,839	156,594
37 U.S. Treasury bills and certificates[6]	11,264	15,872	23,106	20,962	19,499	19,088	19,567	14,127	27,115	29,917
38 Other negotiable and readily transferable instruments[7]	14,506	13,035	17,027	14,850	15,063	15,318	16,693	18,918	28,867	30,201
39 Other	89,145	94,671	91,804	90,464	95,991	94,957	94,196	94,210	95,857	96,476
40 Other foreigners	114,901	121,170	141,167	147,671	156,818	147,115	152,656	156,320	152,326	157,700
41 Banks' own liabilities	86,863	91,833	103,339	109,285	118,482	112,565	116,771	115,763	114,176	117,272
42 Demand deposits	11,160	10,571	11,802	11,985	12,015	12,264	12,461	11,664	12,514	12,195
43 Time deposits[2]	48,532	53,714	58,025	58,704	61,042	61,446	61,654	61,278	59,457	58,968
44 Other[3]	27,171	27,548	33,512	38,596	45,425	38,855	42,656	42,821	42,205	46,109
45 Banks' custodial liabilities[5]	28,038	29,337	37,828	38,386	38,336	34,550	35,885	40,557	38,150	40,428
46 U.S. Treasury bills and certificates[6]	11,822	12,599	14,495	13,778	14,919	14,521	15,214	15,279	14,662	14,130
47 Other negotiable and readily transferable instruments[7]	14,639	15,221	21,453	22,418	21,274	18,094	18,400	19,734	18,310	21,099
48 Other	1,577	1,517	1,880	2,190	2,143	1,935	2,271	5,544	5,178	5,199
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,895	9,103	14,573	13,043	12,904	13,927	15,130	15,030	15,771	15,419

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1994	1995	1996[r]	1997 Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June	July[p]
AREA										
50 **Total, all foreigners**	**1,014,996**	**1,099,549**	**1,161,993**	**1,157,115**	**1,179,323**	**1,173,370**	**1,181,658**	**1,192,659**	**1,184,108**	**1,191,399**
51 **Foreign countries**	**1,006,390**	**1,088,510**	**1,148,021**	**1,142,158**	**1,164,609**	**1,161,158**	**1,168,599**	**1,180,312**	**1,170,156**	**1,180,254**
52 Europe	390,869	362,819	376,590	386,732	386,958	382,048	381,047	381,953	397,372	408,238
53 Austria	3,588	3,537	5,128	4,818	4,034	4,606	3,083	3,354	3,254	3,258
54 Belgium and Luxembourg	21,877	24,792	24,084	22,988	24,111	22,327	19,266	21,269	41,306	41,522
55 Denmark	2,884	2,921	2,565	2,323	1,594	1,827	1,782	2,112	2,098	2,289
56 Finland	1,436	2,831	1,958	2,658	2,663	2,422	3,149	1,868	1,851	1,814
57 France	44,365	39,218	35,078	34,921	35,940	35,389	40,791	38,888	41,269	43,465
58 Germany	27,109	24,035	24,660	25,048	24,269	25,517	25,819	26,083	26,687	26,024
59 Greece	1,400	2,014	1,835	2,102	1,951	2,419	1,740	2,296	1,701	1,726
60 Italy	10,885	10,868	10,946	10,619	10,810	8,844	9,502	9,693	10,191	9,493
61 Netherlands	16,033	13,745	11,110	9,854	11,005	11,076	12,008	8,702	8,298	8,440
62 Norway	2,338	1,394	1,288	1,860	1,538	1,896	1,357	1,121	841	846
63 Portugal	2,846	2,761	3,562	3,610	3,493	3,022	3,010	2,712	2,583	2,075
64 Russia	2,726	7,948	7,623	7,281	6,991	7,859	7,863	9,582	12,302	13,604
65 Spain	14,675	10,011	17,707	21,164	18,238	18,854	17,697	15,027	16,274	15,158
66 Sweden	3,094	3,246	1,623	2,357	1,529	2,119	2,216	1,658	1,518	1,925
67 Switzerland	40,724	43,625	44,538	43,577	47,013	43,635	42,137	44,031	39,127	44,332
68 Turkey	3,341	4,124	6,738	7,066	6,763	7,191	6,585	6,757	6,545	6,594
69 United Kingdom	163,733	139,183	153,420	158,767	158,389	155,943	158,225	162,600	157,037	161,430
70 Yugoslavia[11]	245	177	206	212	384	248	266	324	228	267
71 Other Europe and other former U.S.S.R.[12]	27,770	26,389	22,521	25,507	26,243	26,854	24,551	23,876	24,262	23,976
72 Canada	24,768	30,468	38,920	35,552	34,564	38,057	40,335	38,435	37,976	30,430
73 Latin America and Caribbean	423,847	440,213	467,374	457,339	474,500	467,254	479,347	494,584	494,326	496,812
74 Argentina	17,203	12,235	13,877	16,610	17,232	16,907	14,224	16,486	18,298	17,100
75 Bahamas	104,014	94,991	88,895	91,104	98,799	90,075	105,465	100,804	90,171	92,156
76 Bermuda	8,424	4,897	5,527	5,334	9,060	8,416	7,202	6,334	5,359	5,897
77 Brazil	9,145	23,797	27,701	22,493	23,888	23,723	23,408	25,452	26,059	28,340
78 British West Indies	229,599	239,083	251,310	245,221	249,127	254,811	251,752	268,415	270,462	261,600
79 Chile	3,127	2,826	2,915	2,987	3,484	3,309	3,117	3,239	3,371	3,440
80 Colombia	4,615	3,659	3,256	2,791	2,855	2,807	3,165	2,776	2,836	2,652
81 Cuba	13	8	21	18	18	18	52	54	55	54
82 Ecuador	875	1,314	1,767	1,617	1,633	1,484	1,469	1,608	1,466	1,640
83 Guatemala	1,121	1,276	1,282	1,348	1,410	1,378	1,514	1,457	1,497	1,455
84 Jamaica	529	481	628	576	576	585	525	472	465	532
85 Mexico	12,227	24,560	31,240	27,149	27,455	27,299	27,855	28,224	32,617	34,579
86 Netherlands Antilles	5,217	4,673	6,099	6,609	6,176	3,590	5,486	3,755	6,134	10,986
87 Panama	4,551	4,264	4,099	3,871	4,156	3,868	3,711	4,026	3,991	4,424
88 Peru	900	974	834	967	917	926	881	1,117	919	958
89 Uruguay	1,597	1,836	1,890	1,917	1,859	1,842	1,753	2,062	2,153	2,392
90 Venezuela	13,986	11,808	17,363	18,121	18,128	18,456	18,968	18,899	19,187	19,095
91 Other	6,704	7,531	8,670	8,606	7,727	7,760	8,800	9,404	9,286	9,512
92 Asia	154,346	240,595	249,083	247,069	254,022	257,794	250,097	249,134	222,673	226,939
China										
93 Mainland	10,066	33,750	30,438	27,914	31,631	31,366	28,575	29,429	7,283	9,480
94 Taiwan	9,844	11,714	15,995	16,686	15,623	15,803	14,664	12,442	12,364	13,464
95 Hong Kong	17,104	20,197	18,789	19,869	20,064	20,107	18,941	19,397	20,231	18,735
96 India	2,338	3,373	3,930	4,323	4,746	5,428	4,755	4,367	4,241	4,554
97 Indonesia	1,587	2,708	2,298	2,160	2,474	2,679	2,430	2,770	2,531	2,818
98 Israel	5,157	4,041	6,051	6,608	6,208	5,963	6,097	6,416	5,751	5,180
99 Japan	62,981	109,193	117,316	114,826	115,979	122,760	122,218	118,923	118,407	118,410
100 Korea (South)	5,124	5,749	5,949	6,056	6,259	6,555	7,158	7,866	7,658	8,928
101 Philippines	2,714	3,092	3,378	2,340	2,437	2,389	2,340	2,387	2,469	2,908
102 Thailand	6,466	12,279	10,912	9,873	10,752	9,394	10,361	7,808	6,160	5,262
103 Middle Eastern oil-exporting countries[13]	15,494	15,582	16,285	15,065	14,920	13,686	14,217	14,426	12,947	13,502
104 Other	15,471	18,917	17,742	21,349	22,929	21,664	18,341	22,903	22,631	23,698
105 Africa	6,524	7,641	8,116	8,498	8,171	8,597	9,012	9,872	10,083	9,752
106 Egypt	1,879	2,136	2,012	1,943	2,043	2,010	2,056	2,257	1,986	1,921
107 Morocco	97	104	112	111	97	107	130	91	66	112
108 South Africa	433	739	458	610	720	827	784	2,004	1,770	1,698
109 Zaire	9	10	10	5	7	9	4	9	39	8
110 Oil-exporting countries[14]	1,343	1,797	2,626	3,103	2,481	2,945	3,344	2,731	3,153	2,991
111 Other	2,763	2,855	2,898	2,726	2,823	2,699	2,694	2,780	3,069	3,022
112 Other	6,036	6,774	7,938	6,968	6,394	7,408	8,761	6,334	7,726	8,083
113 Australia	5,142	5,647	6,479	5,739	5,170	6,066	7,546	4,991	6,432	6,782
114 Other	894	1,127	1,459	1,229	1,224	1,342	1,215	1,343	1,294	1,301
115 Nonmonetary international and regional organizations	8,606	11,039	13,972	14,957	14,714	12,212	13,059	12,347	13,952	11,145
116 International[15]	7,537	9,300	12,099	13,338	13,088	10,292	11,691	10,673	12,297	9,690
117 Latin American regional[16]	613	893	1,339	1,103	1,220	1,459	1,050	1,435	1,071	794
118 Other regional[17]	456	846	534	516	406	461	318	239	584	661

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.

12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.

13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

14. Comprises Algeria, Gabon, Libya, and Nigeria.

15. Principally the International Bank for Reconstruction and Development Excludes "holdings of dollars" of the International Monetary Fund.

16. Principally the Inter-American Development Bank.

17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1994	1995	1996	1997						
				Jan.	Feb.	Mar.	Apr.	May^{r}	June	July^{p}
1 **Total, all foreigners**	**485,432**	**532,444**	**600,619^{r}**	**607,456^{r}**	**633,624^{r}**	**636,599^{r}**	**641,011^{r}**	**632,224**	**651,453**	**677,177**
2 **Foreign countries**	**480,841**	**530,513**	**598,015^{r}**	**605,684^{r}**	**631,369^{r}**	**635,093^{r}**	**638,723^{r}**	**629,892**	**649,523**	**676,024**
3 Europe	124,124	132,150	166,489	178,480	193,227	204,786^{r}	183,012^{r}	195,964	192,446	186,520
4 Austria	692	565	1,662	1,643	1,284	1,911	1,541	1,440	1,394	1,690
5 Belgium and Luxembourg	6,923	7,624	6,727	7,611	6,855	8,439	8,054	8,017	8,159	8,089
6 Denmark	1,129	403	492	678	571	546	888	924	981	806
7 Finland	512	1,055	971	1,144	976	1,684	1,194	1,121	1,414	1,247
8 France	12,149	15,033	15,246	18,111	20,576	24,929	15,306	17,492	16,764	18,694
9 Germany	7,623	9,263	8,472	9,659	9,077	11,971	9,532^{r}	9,054	10,075	8,404
10 Greece	604	469	568	636	530	755	453	477	630	461
11 Italy	6,044	5,370	6,457	5,419	5,587	6,427	6,166	6,478	7,865	7,443
12 Netherlands	2,960	5,346	7,080	8,119	8,658	7,612^{r}	8,866	8,190	10,687	12,050
13 Norway	504	665	808	1,058	766	1,226	846	1,199	750	745
14 Portugal	938	888	418	420	310	421	326	306	468	439
15 Russia	973	660	1,669	1,673	1,704	2,028	1,799	1,881	2,020	2,098
16 Spain	3,536	2,166	3,211	6,507	5,407	6,633	6,301	5,854	6,811	6,583
17 Sweden	4,098	2,080	2,673	2,013	2,314	2,311	1,942	1,870	2,539	1,740
18 Switzerland	5,747	7,474	19,798	21,457	25,258	20,855	21,301	24,574	22,500	24,883
19 Turkey	878	803	1,109	1,029	1,221	1,236	1,216	1,306	1,392	1,362
20 United Kingdom	66,863	67,784	85,057	86,711	96,988	99,129	90,821	101,240	94,070	84,176
21 Yugoslavia[2]	265	147	115	108	107	87	78	79	75	75
22 Other Europe and other former U.S.S.R.[3]	1,686	4,355	3,956	4,484	5,038	6,586	6,382	4,462	3,852	5,535
23 Canada	18,490	20,874	26,436	26,348	27,881	35,782	33,579	31,486	35,916	26,371
24 Latin America and Caribbean	224,229	256,944	274,127	271,654	275,255	261,155	282,475^{r}	264,375	281,227	300,544
25 Argentina	5,854	6,439	7,400	6,987	6,952	6,995	6,884^{r}	7,251	7,293	7,088
26 Bahamas	66,410	58,818	71,871	62,679	66,771	67,728	68,219	65,546	66,804	69,819
27 Bermuda	8,533	5,741	4,103	4,444	5,980	6,216	8,132^{r}	6,603	7,086	8,226
28 Brazil	9,583	13,297	17,259	17,620	17,758	17,752	17,590	18,588	18,757	18,915
29 British West Indies	96,373	124,037	105,510	108,643	110,143	98,778	111,276^{r}	106,895	122,079	134,119
30 Chile	3,820	4,864	5,136	5,509	5,602	5,784	5,636	5,745	5,599	6,192
31 Colombia	4,004	4,550	6,247	6,166	6,033	6,099	6,026	6,041	6,324	6,432
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	682	825	1,031	1,079	1,134	1,155	995	1,092	1,132	1,165
34 Guatemala	366	457	620	612	634	629	633	619	651	679
35 Jamaica	258	323	345	336	336	366	325	328	336	359
36 Mexico	17,749	18,024	18,425	18,323	18,297	19,516	20,292	19,168	19,201	19,578
37 Netherlands Antilles	1,404	9,229	25,209	27,675	24,250	18,926	25,235	14,759	14,016	15,766
38 Panama	2,198	3,008	2,786	2,796	2,911	3,110	3,243	3,347	3,183	3,272
39 Peru	997	1,829	2,720	2,867	2,944	2,510	2,473	2,580	2,597	2,697
40 Uruguay	503	466	589	623	766	741	682	735	705	778
41 Venezuela	1,832	1,661	1,702	1,599	1,452	1,516	1,558	1,710	1,794	1,722
42 Other	3,663	3,376	3,174	3,696	3,292	3,334	3,276	3,368	3,670	3,737
43 Asia	107,800	115,336	122,478^{r}	121,327^{r}	127,042^{r}	124,292^{r}	129,537^{r}	128,708	129,739	124,429
China										
44 Mainland	836	1,023	1,401	2,035	1,766	1,456	2,201	2,168	2,023	2,389
45 Taiwan	1,448	1,713	1,894	1,249	1,201	1,709	1,532	1,500	1,851	1,534
46 Hong Kong	9,222	12,821	12,802	11,764	11,877	14,143	13,389	14,969	16,014	13,878
47 India	994	1,846	1,946	1,824	1,957	2,194	2,147	2,257	2,342	2,184
48 Indonesia	1,472	1,696	1,762	1,749	1,896	2,081	2,206	2,435	2,536	2,523
49 Israel	688	739	633	692	617	612	586	909	631	855
50 Japan	59,569	61,468	59,967	59,843	64,199	56,483	59,083	56,484	59,679	55,660
51 Korea (South)	10,286	13,975	18,901^{r}	20,176^{r}	19,993^{r}	19,901^{r}	20,802^{r}	20,864	20,601	21,427
52 Philippines	663	1,318	1,697	1,492	1,794	1,600	1,746	1,937	2,115	1,723
53 Thailand	2,902	2,612	2,679	3,003	3,092	3,429	3,233	3,069	3,187	2,848
54 Middle Eastern oil-exporting countries[4]	13,982	9,639	10,424	8,582	8,889	10,078	11,315	10,590	9,105	9,750
55 Other	5,738	6,486	8,372	8,918^{r}	9,761	10,606	11,297	11,526	9,655	9,658
56 Africa	3,053	2,742	2,776	2,731	2,772	2,735	3,282	2,847	3,269	3,125
57 Egypt	225	210	247	246	245	244	231	270	312	267
58 Morocco	429	514	524	489	522	473	478	463	465	463
59 South Africa	674	465	584	572	564	470	452	569	602	493
60 Zaire	2	1	0	0	0	0	1	0	0	0
61 Oil-exporting countries[5]	856	552	420	408	474	605	1,177	679	1,129	1,134
62 Other	867	1,000	1,001	1,016	967	943	943	866	761	768
63 Other	3,145	2,467	5,709	5,144	5,192	6,343	6,838	6,512	6,926	35,035
64 Australia	2,192	1,622	4,577	3,743	3,176	4,101	4,918	4,088	5,042	33,253
65 Other	953	845	1,132	1,401	2,016	2,242	1,920	2,424	1,884	1,782
66 Nonmonetary international and regional organizations[6]	4,591	1,931	2,604	1,772	2,255	1,506	2,288	2,332	1,930	1,153

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1994	1995	1996	1997						
				Jan.	Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June	July[p]
1 **Total**	**601,814**	**655,211**	**744,634[r]**	...	...	**798,571**	...	...	**813,669**	...
2 Banks' claims	485,432	532,444	600,619[r]	607,456[r]	633,624	636,599	641,011	632,224	651,453	677,177
3 Foreign public borrowers	23,416	22,518	22,241	26,061	24,755	28,864	29,176	27,264	29,265	26,807
4 Own foreign offices[2]	283,015	307,427	342,508	330,261	360,541	360,340	362,790	367,977	379,421	371,168
5 Unaffiliated foreign banks	110,410	101,595	113,505	121,201[r]	118,091	118,444	116,071	113,013	119,530	147,814
6 Deposits	59,368	37,771	33,826	39,266	38,155	37,284	34,592	34,581	35,782	66,112
7 Other	51,042	63,824	79,679	81,935[r]	79,936	81,160	81,479	78,432	83,748	81,702
8 All other foreigners	68,591	100,904	122,365[r]	129,933[r]	130,237	128,951	132,974	123,970	123,237	131,388
9 Claims of banks' domestic customers[3]	116,382	122,767	144,015	...	...	161,972	...	...	162,216	...
10 Deposits	64,829	58,519	77,673	...	...	95,147	...	...	94,591	...
11 Negotiable and readily transferable instruments[4]	36,111	44,161	51,207	...	...	49,518	...	...	50,301	...
12 Outstanding collections and other claims	15,442	20,087	15,135			17,307	...		17,324	...
MEMO										
13 Customer liability on acceptances	8,427	8,410	10,437	...	...	11,247	...	...	11,442	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	32,796	30,717	42,679	43,452	47,270	38,815	42,719	44,870	38,358	39,664

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.

Reporting banks include all types of depository institution as well as some brokers and dealers

2 For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

3. Assets held by reporting banks in the accounts of their domestic customers.

4 Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper

5 Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1993	1994	1995	1996		1997	
				Sept.	Dec.	Mar.	June[p]
1 **Total**	**202,566**	**202,282**	**224,932**	**232,997**	**257,924**	**276,080**	**271,822**
By borrower							
2 Maturity of one year or less	172,662	170,411	178,857	189,047	211,740	223,817	211,120
3 Foreign public borrowers	17,828	15,435	14,995	16,003	15,411	19,910	17,849
4 All other foreigners	154,834	154,976	163,862	173,044	196,329	203,907	193,271
5 Maturity of more than one year	29,904	31,871	46,075	43,950	46,184	52,263	60,702
6 Foreign public borrowers	10,874	7,838	7,522	6,922	6,815	8,861	11,215
7 All other foreigners	19,030	24,033	38,553	37,028	39,369	43,402	49,487
By area							
Maturity of one year or less							
8 Europe	57,413	56,381	55,622	58,545	55,513	75,011	69,261
9 Canada	7,727	6,690	6,751	8,811	8,339	10,404	10,322
10 Latin America and Caribbean	60,490	59,583	72,504	79,622	103,254	96,867	87,059
11 Asia	41,418	40,567	40,296	37,199	38,135	36,495	38,384
12 Africa	1,820	1,379	1,295	1,320	1,316	1,451	1,899
13 All other[3]	3,794	5,811	2,389	3,550	5,183	3,589	4,195
Maturity of more than one year							
14 Europe	5,310	4,358	4,995	7,117	6,928	9,478	11,828
15 Canada	2,581	3,505	2,751	3,533	2,645	2,953	3,152
16 Latin America and Caribbean	14,025	15,717	27,681	21,382	24,917	26,771	30,970
17 Asia	5,606	5,323	7,941	9,808	9,392	10,773	12,508
18 Africa	1,935	1,583	1,421	1,349	1,361	1,204	1,264
19 All other[3]	447	1,385	1,286	761	941	1,084	980

1. Reporting banks include all types of depository institutions as well as some brokers and dealers

2. Maturity is time remaining until maturity

3 Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1993	1994	1995			1996				1997	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June[p]
1 **Total**	**409.5**	**499.5**	**531.9**	**535.3**	**551.9**	**574.6**	**612.7**	**586.0**	**645.0**	**647.7**	**678.7**
2 G-10 countries and Switzerland	161.9	191.2	206.5	203.0	206.0	203.4	226.9	220.0	228.1	231.5	249.9
3 Belgium and Luxembourg	7.4	7.2	9.7	11.0	13.6	11.0	11.4	11.3	11.7	14.1	9.3
4 France	12.0	19.1	19.9	18.0	19.4	17.9	18.0	17.4	16.6	19.9	17.9
5 Germany	12.6	24.7	30.0	27.5	27.3	31.5	31.4	33.9	29.8	32.1	34.1
6 Italy	7.7	11.8	10.7	12.6	11.5	13.2	14.9	15.2	16.0	14.4	20.2
7 Netherlands	4.7	3.6	4.3	4.5	3.7	3.0	4.7	5.9	3.9	4.5	6.4
8 Sweden	2.7	2.7	3.1	2.9	2.7	3.3	2.7	3.0	2.6	3.4	3.6
9 Switzerland	5.9	5.1	6.2	6.6	6.7	5.2	6.3	6.3	5.3	6.0	5.4
10 United Kingdom	84.4	85.8	87.1	80.4	82.4	84.7	101.6	90.5	104.6	99.2	109.7
11 Canada	6.9	10.0	11.3	12.9	10.3	10.8	12.2	14.8	14.0	16.3	15.8
12 Japan	17.6	21.1	24.4	26.6	28.5	22.7	23.6	21.7	23.6	21.7	27.4
13 Other industrialized countries	26.5	45.7	43.3	50.5	50.2	61.3	55.5	62.1	65.7	66.4	71.8
14 Austria	.7	1.1	.7	1.2	.9	1.3	1.2	1.0	1.1	1.9	1.5
15 Denmark	1.0	1.3	1.1	1.8	2.6	3.4	3.3	1.7	1.5	1.7	2.8
16 Finland	.4	.9	.5	.7	.8	.7	.6	.6	.8	.7	1.4
17 Greece	3.2	4.5	5.0	5.1	5.7	5.6	5.6	6.1	6.7	6.3	6.1
18 Norway	1.7	2.0	1.8	2.3	3.2	2.1	2.3	3.0	8.0	5.3	4.7
19 Portugal	.8	1.2	1.2	1.9	1.3	1.6	1.6	1.4	.9	1.0	1.1
20 Spain	9.9	13.6	13.0	13.3	11.6	17.5	13.6	16.1	13.2	14.4	15.4
21 Turkey	2.1	1.6	1.4	2.0	1.9	2.0	2.3	2.8	2.7	2.7	3.5
22 Other Western Europe	3.2	3.2	2.9	3.3	4.7	3.8	3.4	4.8	4.7	6.3	5.5
23 South Africa	1.1	1.0	1.4	1.3	1.2	1.7	2.0	1.7	2.0	1.9	1.9
24 Australia	2.3	15.4	14.3	17.4	16.4	21.7	19.6	22.8	24.0	24.4	27.8
25 OPEC[2]	17.6	24.1	20.3	22.7	22.1	21.2	20.1	19.2	19.7	21.8	22.2
26 Ecuador	.5	.5	.7	.7	.7	.8	.9	.9	1.1	1.1	.9
27 Venezuela	5.1	3.7	3.5	3.0	2.7	2.9	2.3	2.3	2.4	1.9	2.1
28 Indonesia	3.3	3.8	4.1	4.4	4.8	4.7	4.9	5.4	5.2	4.9	5.6
29 Middle East countries	7.6	15.3	11.5	13.9	13.3	12.3	11.5	10.1	10.6	13.2	12.4
30 African countries	1.2	.9	.6	.6	.6	.6	.5	.4	.4	.7	1.2
31 Non-OPEC developing countries	83.2	96.0	103.7	104.1	112.6	118.6	126.4	124.1	130.1	128.1	140.7
Latin America											
32 Argentina	7.7	11.2	12.3	10.9	12.9	12.7	14.1	15.0	14.3	14.3	16.4
33 Brazil	12.0	8.4	10.0	13.6	13.7	18.3	21.7	17.8	20.7	22.0	27.6
34 Chile	4.7	6.1	7.1	6.4	6.8	6.4	6.7	6.6	7.0	6.8	7.6
35 Colombia	2.1	2.6	2.6	2.9	2.9	2.9	2.8	3.1	4.1	3.7	3.3
36 Mexico	17.9	18.4	17.6	16.3	17.3	16.1	15.4	16.1	16.2	17.2	16.6
37 Peru	.4	.5	.8	.7	.8	.9	1.2	1.3	1.6	1.6	1.4
38 Other	3.1	2.7	2.6	2.6	2.8	3.1	3.0	3.0	3.3	3.4	3.4
Asia											
China											
39 Mainland	2.0	1.1	1.4	1.7	1.8	3.3	2.9	2.6	2.5	2.7	3.6
40 Taiwan	7.3	9.2	9.0	9.0	9.4	9.7	9.8	10.3	10.2	10.5	10.6
41 India	3.2	4.2	4.0	4.4	4.4	4.7	4.2	3.8	4.3	4.9	5.3
42 Israel	.5	.4	.7	.5	.5	.5	.6	.5	.5	.6	.8
43 Korea (South)	6.7	16.2	18.7	18.0	19.1	19.3	21.7	21.9	21.5	14.6	16.3
44 Malaysia	4.4	3.1	4.1	4.3	4.4	5.2	5.3	5.5	5.9	6.5	6.2
45 Philippines	3.1	3.3	3.6	3.3	4.1	3.9	4.7	5.4	5.8	6.0	7.0
46 Thailand	3.1	2.1	3.8	3.9	4.9	5.2	5.4	4.8	5.7	6.8	7.3
47 Other Asia	3.1	4.7	3.5	3.7	4.5	4.3	4.8	4.1	4.1	4.3	4.7
Africa											
48 Egypt	.4	.3	.4	.4	.4	.5	.5	.6	.7	.9	1.1
49 Morocco	.7	.6	.9	.9	.7	.7	.8	.7	.7	.6	.6
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.1	.0	.0
51 Other Africa[3]	.8	.8	.6	.8	.9	.8	.8	1.0	.9	.9	.9
52 Eastern Europe	3.2	2.7	1.8	3.4	4.2	6.3	5.1	5.3	6.9	8.9	7.1
53 Russia[4]	1.6	.8	.4	.6	1.0	1.4	1.0	1.8	3.7	3.5	4.2
54 Other	1.6	1.9	1.3	2.8	3.2	4.9	4.1	3.5	3.2	5.4	2.9
55 Offshore banking centers	73.5	72.9	83.8	87.5	99.2	101.3	106.2	105.3	134.9	131.3	128.9
56 Bahamas	10.9	10.2	8.4	12.6	11.0	13.9	17.3	14.2	20.3	20.9	16.0
57 Bermuda	8.9	8.4	8.4	6.1	6.3	5.3	4.1	4.0	4.5	6.7	7.7
58 Cayman Islands and other British West Indies	18.4	21.4	25.3	25.1	32.4	28.8	26.1	32.0	37.2	32.8	35.2
59 Netherlands Antilles	2.8	1.6	2.8	5.7	10.3	11.1	13.2	11.7	26.1	19.9	15.8
60 Panama[5]	2.4	1.3	1.2	1.3	1.4	1.6	1.7	1.7	2.0	2.0	2.6
61 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
62 Hong Kong, China	18.8	20.0	23.1	23.7	25.0	25.3	27.8	26.2	28.1	30.8	35.3
63 Singapore	11.2	10.1	14.8	13.3	13.1	15.4	15.9	15.4	16.7	17.9	16.1
64 Other[6]	.1	.1	.0	.1	.1	.1	.1	.1	.1	.1	.3
65 Miscellaneous and unallocated[7]	43.6	66.9	72.6	64.2	57.6	62.6	72.7	50.0	59.5	59.6	58.1

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia. Beginning March 1994 includes Namibia.

4. As of December 1992, excludes other republics of the former Soviet Union.

5. Includes Canal Zone.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1993	1994	1995	1995	1996				1997
				Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**50,597**	**54,309**	**46,448**	**46,448**	**49,907**	**48,990**	**51,651**r	**54,822**	**54,616**
2 Payable in dollars	38,728	38,298	33,903	33,903	36,273	35,385	36,421r	39,003	39,361
3 Payable in foreign currencies	11,869	16,011	12,545	12,545	13,634	13,605	15,230	15,819	15,255
By type									
4 Financial liabilities	29,226	32,954	24,241	24,241	26,570	24,844	25,492	26,089	25,499
5 Payable in dollars	18,545	18,818	12,903	12,903	13,831	12,212	11,319	11,374	11,264
6 Payable in foreign currencies	10,681	14,136	11,338	11,338	12,739	12,632	14,173	14,715	14,235
7 Commercial liabilities	21,371	21,355	22,207	22,207	23,337	24,146	26,159r	28,733	29,117
8 Trade payables	8,802	10,005	11,013	11,013	10,815	11,081	11,791	12,720	11,515
9 Advance receipts and other liabilities	12,569	11,350	11,194	11,194	12,522	13,065	14,368r	16,013	17,602
10 Payable in dollars	20,183	19,480	21,000	21,000	22,442	23,173	25,102r	27,629	28,097
11 Payable in foreign currencies	1,188	1,875	1,207	1,207	895	973	1,057	1,104	1,020
By area or country									
Financial liabilities									
12 Europe	18,810	21,703	15,622	15,622	16,950	16,434	16,133	16,242	15,970
13 Belgium and Luxembourg	175	495	369	369	483	498	547	632	769
14 France	2,539	1,727	999	999	1,679	1,011	1,220	1,091	1,205
15 Germany	975	1,961	1,974	1,974	2,161	1,850	2,276	1,834	1,589
16 Netherlands	534	552	466	466	479	444	519	556	507
17 Switzerland	634	688	895	895	1,260	1,156	830	699	694
18 United Kingdom	13,332	15,543	10,138	10,138	10,246	10,790	9,884	10,224	9,752
19 Canada	859	629	632	632	1,166	951	973	1,401	602
20 Latin America and Caribbean	3,359	2,034	1,783	1,783	1,876	969	1,169	1,668	1,876
21 Bahamas	1,148	101	59	59	78	31	50	236	293
22 Bermuda	0	80	147	147	126	28	25	50	27
23 Brazil	18	207	57	57	57	8	52	78	75
24 British West Indies	1,533	998	866	866	946	826	764	1,030	965
25 Mexico	17	0	12	12	16	11	13	17	16
26 Venezuela	5	5	2	2	2	1	1	1	1
27 Asia	5,956	8,403	5,988	5,988	6,390	6,351	6,969	6,400	6,347
28 Japan	4,887	7,314	5,436	5,436	5,980	6,051	6,602	5,846	5,771
29 Middle Eastern oil-exporting countries[1]	23	35	27	27	26	26	25	25	72
30 Africa	133	135	150	150	131	72	153	38	29
31 Oil-exporting countries[2]	123	123	122	122	122	61	121	0	0
32 All other[3]	109	50	66	66	57	67	95	340	675
Commercial liabilities									
33 Europe	6,827	6,773	7,700	7,700	8,425	7,916	8,680r	9,767	9,551
34 Belgium and Luxembourg	239	241	331	331	370	326	427	479	643
35 France	655	728	481	481	648	678	657	680	680
36 Germany	684	604	767	767	867	839	949r	1,002	1,047
37 Netherlands	688	722	500	500	659	617	668	766	553
38 Switzerland	375	327	413	413	428	516	405r	624	481
39 United Kingdom	2,039	2,444	3,568	3,568	3,525	3,266	3,663r	4,303	4,165
40 Canada	879	1,037	1,040	1,040	959	998	1,144r	1,090	1,068
41 Latin America and Caribbean	1,658	1,857	1,740	1,740	2,110	2,301	2,386r	2,574	2,563
42 Bahamas	21	19	1	1	28	35	33	63	43
43 Bermuda	350	345	205	205	570	509	355	297	479
44 Brazil	214	161	98	98	128	119	198r	196	201
45 British West Indies	27	23	56	56	10	10	15	14	14
46 Mexico	481	574	416	416	468	475	446r	665	633
47 Venezuela	123	276	221	221	243	283	341	328	318
48 Asia	10,980	10,741	10,421	10,421	10,474	11,389	12,227r	13,422	13,968
49 Japan	4,314	4,555	3,315	3,315	3,725	3,943	4,149r	4,614	4,502
50 Middle Eastern oil-exporting countries[1]	1,534	1,576	1,912	1,912	1,747	1,784	1,951	2,168	2,495
51 Africa	453	428	619	619	708	924	1,020	1,040	1,037
52 Oil-exporting countries[2]	167	256	254	254	254	462	490	532	479
53 Other[3]	574	519	687	687	661	618	702	840	930

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of claim, and area or country	1993	1994	1995	1995	1996				1997
				Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**49,159**	**57,888**	**52,509**	**52,509**	**55,406**	**60,195**	**59,092**[r]	**63,642**[r]	**64,343**[r]
2 Payable in dollars	45,161	53,805	48,711	48,711	51,007	55,350	55,014[r]	58,630[r]	60,177[r]
3 Payable in foreign currencies	3,998	4,083	3,798	3,798	4,399	4,845	4,078[r]	5,012	4,166[r]
By type									
4 Financial claims	27,771	33,897	27,398	27,398	30,772	35,251	34,200	35,268	36,788[r]
5 Deposits	15,717	18,507	15,133	15,133	17,595	19,507	19,877	21,404	19,628[r]
6 Payable in dollars	15,182	18,026	14,654	14,654	17,044	19,069	19,182	20,631	18,548[r]
7 Payable in foreign currencies	535	481	479	479	551	438	695	773	1,080[r]
8 Other financial claims	12,054	15,390	12,265	12,265	13,177	15,744	14,323	13,864	17,160
9 Payable in dollars	10,862	14,306	10,976	10,976	11,290	13,347	12,234	12,069	15,383
10 Payable in foreign currencies	1,192	1,084	1,289	1,289	1,887	2,397	2,089	1,795	1,777
11 Commercial claims	21,388	23,991	25,111	25,111	24,634	24,944	24,892[r]	28,374[r]	27,555[r]
12 Trade receivables	18,425	21,158	22,998	22,998	22,123	22,353	22,454[r]	25,751[r]	24,801[r]
13 Advance payments and other claims	2,963	2,833	2,113	2,113	2,511	2,591	2,438	2,623	2,754[r]
14 Payable in dollars	19,117	21,473	23,081	23,081	22,673	22,934	23,598[r]	25,930[r]	26,246[r]
15 Payable in foreign currencies	2,271	2,518	2,030	2,030	1,961	2,010	1,294[r]	2,444	1,309[r]
By area or country									
Financial claims									
16 Europe	7,299	7,936	7,609	7,609	8,929	10,498	9,777	9,282	9,317
17 Belgium and Luxembourg	134	86	193	193	159	151	126	185	119
18 France	826	800	803	803	1,015	679	733	694	761
19 Germany	526	540	436	436	320	296	272	276	324
20 Netherlands	502	429	517	517	486	488	520	493	567
21 Switzerland	530	523	498	498	470	461	432	474	570
22 United Kingdom	3,585	4,649	4,303	4,303	5,568	7,426	6,603	6,119	6,075
23 Canada	2,032	3,581	2,851	2,851	5,269	4,773	4,502	3,445	4,917[r]
24 Latin America and Caribbean	16,224	19,536	14,500	14,500	13,827	17,644	17,241	19,577	19,742[r]
25 Bahamas	1,336	2,424	1,965	1,965	1,538	2,168	1,746	1,452	1,894
26 Bermuda	125	27	81	81	77	84	113	140	157
27 Brazil	654	520	830	830	1,019	1,242	1,438	1,468	1,404
28 British West Indies	12,699	15,228	10,393	10,393	10,100	13,024	12,809	15,182	15,166[r]
29 Mexico	872	723	554	554	461	392	413	457	517
30 Venezuela	161	35	32	32	40	23	20	31	22
31 Asia	1,657	1,871	1,579	1,579	1,890	1,571	1,834	2,221	2,068
32 Japan	892	953	871	871	1,171	852	1,001	1,035	831
33 Middle Eastern oil-exporting countries[1]	3	141	3	3	13	9	13	22	12
34 Africa	99	373	276	276	277	197	177	174	182[r]
35 Oil-exporting countries[2]	1	0	5	5	5	5	13	14	14
36 All other[3]	460	600	583	583	580	568	669	569	562
Commercial claims									
37 Europe	9,105	9,540	9,824	9,824	9,776	9,842	9,288[r]	10,443[r]	9,863[r]
38 Belgium and Luxembourg	184	213	231	231	247	239	213	226[r]	364
39 France	1,947	1,881	1,830	1,830	1,803	1,659	1,532	1,644	1,514
40 Germany	1,018	1,027	1,070	1,070	1,410	1,335	1,250[r]	1,337[r]	1,364[r]
41 Netherlands	423	311	452	452	442	481	424	562[r]	582
42 Switzerland	432	557	520	520	579	602	594[r]	642	418[r]
43 United Kingdom	2,377	2,556	2,656	2,656	2,607	2,658	2,516[r]	2,946	2,626[r]
44 Canada	1,781	1,988	1,951	1,951	2,045	2,074	2,083[r]	2,165	2,381[r]
45 Latin America and Caribbean	3,274	4,117	4,364	4,364	4,151	4,347	4,409[r]	5,276[r]	5,067[r]
46 Bahamas	11	9	30	30	30	28	14	35	40
47 Bermuda	182	234	272	272	273	264	290	275	159
48 Brazil	460	612	898	898	809	838	968[r]	1,303[r]	1,216[r]
49 British West Indies	71	83	79	79	106	103	119	190	127
50 Mexico	990	1,243	993	993	870	1,021	936[r]	1,128	1,102[r]
51 Venezuela	293	348	285	285	308	313	316	357	330
52 Asia	6,014	6,982	7,312	7,312	7,100	6,939	7,289[r]	8,376[r]	8,348[r]
53 Japan	2,275	2,655	1,870	1,870	2,010	1,877	1,919[r]	2,003	2,065[r]
54 Middle Eastern oil-exporting countries[1]	704	708	974	974	1,024	903	945	971	1,078
55 Africa	493	454	654	654	667	688	731	746[r]	718[r]
56 Oil-exporting countries[2]	72	67	87	87	107	83	142	166	100
57 Other[3]	721	910	1,006	1,006	895	1,054	1,092	1,368[r]	1,178[r]

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1995	1996	1997 Jan.– July	1997 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	462,950	623,760	543,739	73,036	73,051	68,450	70,267	82,604	87,060	89,271
2 Foreign sales	451,710	611,832	502,844	70,132	69,191	68,153	64,433	75,674[r]	76,826	78,435
3 **Net purchases, or sales (−)**	**11,240**	**11,928**	**40,895**	**2,904**	**3,860**	**297**	**5,834**	**6,930[r]**	**10,234**	**10,836**
4 **Foreign countries**	**11,445**	**12,002**	**40,927**	**2,905**	**3,860**	**289**	**5,854**	**6,949[r]**	**10,245**	**10,825**
5 Europe	4,912	5,046	31,691	3,271	5,486	2,116	6,686	2,440	5,571	6,121
6 France	−1,099	−2,354	2,153	532	427	−309	679	238	−602	1,188
7 Germany	−1,837	1,104	5,930	959	1,086	699	648	601	857	1,080
8 Netherlands	3,507	1,389	1,332	322	−334	378	378	382	126	80
9 Switzerland	−2,283	2,710	4,327	289	784	304	810	184	1,036	920
10 United Kingdom	8,066	4,119	10,545	−134	2,950	492	3,274	218	2,565	1,180
11 Canada	−1,517	2,221	824	422	308	373	141	27	35	−482
12 Latin America and Caribbean	5,814	5,563	8,009	1,364	405	−1,433	−1,982	2,912[r]	2,380	4,363
13 Middle East[1]	−337	−1,598	105	−1	26	10	203	−246	164	−51
14 Other Asia	2,503	906	−418	−2,175	−2,549	−894	729	1,541[r]	2,246	684
15 Japan	−2,725	−372	2,715	−1,559	−500	−253	1,294	1,763	1,121	849
16 Africa	2	−81	323	−8	58	96	−7	4	81	99
17 Other countries	68	−55	393	32	126	21	84	271	−232	91
18 **Nonmonetary international and regional organizations**	**−205**	**−74**	**−32**	**−1**	**0**	**8**	**−20**	**−19**	**−11**	**11**
BONDS[2]										
19 Foreign purchases	293,533	422,249	350,220	48,955	48,818	43,455	42,663	44,729[r]	58,904	62,696
20 Foreign sales	206,951	294,636	274,429	37,135	36,424	38,104	31,726	36,358	47,673	47,009
21 **Net purchases, or sales (−)**	**86,582**	**127,613**	**75,791**	**11,820**	**12,394**	**5,351**	**10,937**	**8,371[r]**	**11,231**	**15,687**
22 **Foreign countries**	**87,036**	**127,442**	**75,718**	**11,824**	**12,381**	**5,337**	**10,941**	**8,463[r]**	**11,099**	**15,673**
23 Europe	70,318	75,722	47,350	6,088	9,612	4,572	5,377	5,581[r]	7,117	9,003
24 France	1,143	5,124	1,663	73	290	340	602	−4	90	272
25 Germany	5,938	5,164	1,592	−274	184	493	30	145	−250	1,264
26 Netherlands	1,463	2,440	1,626	337	125	105	67	978	154	−140
27 Switzerland	494	1,053	−388	−58	−189	98	189	−54	4	−378
28 United Kingdom	57,591	57,590	39,265	5,911	9,229	2,849	4,313	3,868[r]	6,522	6,573
29 Canada	2,569	4,197	2,987	379	1,055	390	512	446	−98	303
30 Latin America and Caribbean	6,141	22,901	9,682	3,189	−627	−2,434	2,550	1,569	1,964	3,471
31 Middle East[1]	1,869	1,637	1,495	480	691	480	16	−179	16	−9
32 Other Asia	5,659	22,715	12,615	1,661	1,231	2,165	2,185	874	1,800	2,699
33 Japan	2,250	13,644	8,475	1,597	535	1,213	1,229	399	1,618	1,884
34 Africa	234	600	778	89	243	47	190	44	61	104
35 Other countries	246	−330	811	−62	176	117	111	128	239	102
36 **Nonmonetary international and regional organizations**	**−454**	**171**	**73**	**−4**	**13**	**14**	**−4**	**−92**	**132**	**14**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−50,291	−57,122	−33,263	−3,646	−4,353	−3,827	−4,089	−3,705[r]	−6,334	−7,309
38 Foreign purchases	345,540	456,826	386,376	47,084	50,139	47,780	49,725	57,612	64,345	69,691
39 Foreign sales	395,831	513,948	419,639	50,730	54,492	51,607	53,814	61,317[r]	70,679	77,000
40 Bonds, net purchases, or sales (−)	−48,405	−48,793	−23,695	−710	−1,626	−2,979	5,720	−1,328	−13,006	−9,766
41 Foreign purchases	889,541	1,118,678	860,590	109,567	110,510	131,453	117,761	127,985	123,406	139,908
42 Foreign sales	937,946	1,167,471	884,285	110,277	112,136	134,432	112,041	129,313	136,412	149,674
43 **Net purchases, or sales (−), of stocks and bonds**	**−98,696**	**−105,915**	**−56,958**	**−4,356**	**−5,979**	**−6,806**	**1,631**	**−5,033[r]**	**−19,340**	**−17,075**
44 **Foreign countries**	**−97,891**	**−105,044**	**−57,278**	**−4,404**	**−6,061**	**−6,872**	**1,617**	**−5,090[r]**	**−19,356**	**−17,112**
45 Europe	−48,125	−55,948	−10,033	740	−2,030	−3,005	5,732	377[r]	−2,001	−9,846
46 Canada	−7,812	−6,279	−2,793	525	1,855	−110	−239	−841	−2,169	−1,814
47 Latin America and Caribbean	−7,634	−9,503	−19,470	−2,264	−3,417	−1,574	−1,240	−1,286	−8,473	−1,216
48 Asia	−34,056	−27,745	−23,646	−2,830	−2,284	−1,517	−3,650	−3,570	−5,885	−3,910
49 Japan	−25,072	−5,888	−15,797	−332	−2,269	−674	−2,349	−2,878	−4,945	−2,350
50 Africa	−327	−1,529	−820	34	−7	−74	−121	15	−588	−79
51 Other countries	63	−4,040	−516	−609	−178	−592	1,135	215	−240	−247
52 **Nonmonetary international and regional organizations**	**−805**	**−871**	**320**	**48**	**82**	**66**	**14**	**57**	**16**	**37**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1995	1996	1997	1997						
			Jan.–July	Jan	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total estimated**	**134,115**	**244,725**	**137,140**	**20,791**	**30,615**	**22,076**	**25,587**	**7,751[r]**	**25,114**	**5,206**
2 Foreign countries	133,676	246,567	135,384	21,257	29,707	22,386	25,127	7,908[r]	24,164	4,835
3 Europe	49,976	118,345	76,937	3,403	17,117	13,473	10,625	9,688	10,393	12,238
4 Belgium and Luxembourg	591	1,486	2,403	48	657	83	937	309[r]	−37	406
5 Germany	6,136	17,647	3,390	556	−1,227	−3,124	−1,480	721	1,417	6,527
6 Netherlands	1,891	−582	1,784	−671	546	343	1,412	194	−408	368
7 Sweden	358	2,343	−1,035	−255	−346	−581	−86	90	141	2
8 Switzerland	−472	327	1,078	241	992	−1,431	1,029	−223	329	141
9 United Kingdom	34,754	65,381	50,994	1,936	13,423	14,242	6,482	6,951	4,922	3,038
10 Other Europe and former U.S.S.R.	6,718	31,743	18,323	1,548	3,072	3,941	2,331	1,646[r]	4,029	1,756
11 Canada	252	2,389	2,367	667	−402	−317	17	348	1,278	776
12 Latin America and Caribbean	48,609	25,379	−4,362	9,813	−762	−3,336	1,381	−9,495	1,585	−3,548
13 Venezuela	−2	−69	863	−3	69	10	−8	93	635	67
14 Other Latin America and Caribbean	25,152	13,026	14,348	6,031	1,577	3,763	−2,657	2,004	3,106	524
15 Netherlands Antilles	23,459	12,422	−19,573	3,785	−2,408	−7,109	4,046	−11,592	−2,156	−4,139
16 Asia	32,467	98,001	60,914	8,593	14,217	12,227	13,200	7,536[r]	8,406	−3,265
17 Japan	16,979	41,390	35,183	4,264	6,326	1,747	6,604	7,657	5,972	2,613
18 Africa	1,464	1,085	608	29	57	−22	−16	27	340	193
19 Other	908	1,368	−1,080	−1,248	−520	361	−80	−196	2,162	−1,559
20 Nonmonetary international and regional organizations	439	−1,842	1,756	−466	908	−310	460	−157	950	371
21 International	9	−1,390	1,142	−484	530	−384	467	−172	1,068	117
22 Latin American regional	261	−779	388	−1	362	80	24	−2	−145	70
MEMO										
23 Foreign countries	133,676	246,567	135,384	21,257	29,707	22,386	25,127	7,908[r]	24,164	4,835
24 Official institutions	39,631	86,875	43,693	7,831	10,123	7,106	7,382	3,376[r]	10,374	−2,499
25 Other foreign	94,045	159,692	91,691	13,426	19,584	15,280	17,745	4,532	13,790	7,334
Oil-exporting countries										
26 Middle East[2]	3,075	10,227	5,878	1,307	2,604	2,533	2,879	541[r]	−1,735	−2,251
27 Africa[3]	2	1	−6	0	−1	0	1	−6	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, 1997		Country	Rate on Sept. 30, 1997	
	Percent	Month effective		Percent	Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.5	Apr. 1995	Italy	6.25	June 1997
Canada	3.5	June 1997	Japan	.5	Sept. 1995
Denmark	3.25	Nov. 1996	Netherlands	2.5	Apr. 1996
France[2]	3.1	Jan. 1997	Switzerland	1.0	Sept. 1996

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1994	1995	1996	1997						
				Mar.	Apr.	May	June	July	Aug.	Sept.
1 Eurodollars	4.63	5.93	5.38	5.50	5.70	5.69	5.66	5.61	5.58	5.59
2 United Kingdom	5.45	6.63	5.99	6.17	6.35	6.41	6.63	6.93	7.12	7.19
3 Canada	5.57	7.14	4.49	3.25	3.49	3.35	3.30	3.57	3.67	3.66
4 Germany	5.25	4.43	3.21	3.16	3.14	3.09	3.05	3.06	3.19	3.24
5 Switzerland	4.03	2.94	1.92	1.77	1.76	1.51	1.25	1.43	1.39	1.36
6 Netherlands	5.09	4.30	2.91	3.12	3.15	3.15	3.14	3.17	3.33[r]	3.35
7 France	5.72	6.43	3.81	3.26	3.28	3.37	3.30	3.27	3.31	3.29
8 Italy	8.45	10.43	8.79	7.40	7.09	6.82	6.85	6.87	6.85	6.65
9 Belgium	5.65	4.73	3.19	3.40	3.22	3.22	3.23	3.39	3.55	3.55
10 Japan	2.24	1.20	.58	.55	.55	.58	.60	.67	.58	.55

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1994	1995	1996	1997					
				Apr.	May	June	July	Aug.	Sept.
1 Australia/dollar[2]	73.161	74.073	78.283	77.868	77.510	75.422	74.199	74.036	72.310
2 Austria/schilling	11.409	10.076	10.589	12.050	11.998	12.158	12.620	12.946	12.568
3 Belgium/franc	33.426	29.472	30.970	35.328	35.188	35.651	37.040	38.011	36.876
4 Canada/dollar	1.3664	1.3725	1.3638	1.3942	1.3804	1.3843	1.3775	1.3905	1.3872
5 China, P.R./yuan	8.6397	8.3700	8.3389	8.3257	8.3229	8.3224	8.3162	8.3187	8.3171
6 Denmark/krone	6.3561	5.5999	5.8003	6.5226	6.4926	6.5804	6.8317	7.0109	6.8001
7 Finland/markka	5.2340	4.3763	4.5948	5.1375	5.1444	5.1794	5.3164	5.5046	5.3455
8 France/franc	5.5459	4.9864	5.1158	5.7672	5.7482	5.8293	6.0511	6.2010	6.0031
9 Germany/deutsche mark	1.6216	1.4321	1.5049	1.7119	1.7048	1.7277	1.7939	1.8400	1.7862
10 Greece/drachma	242.50	231.68	240.82	270.58	271.95	273.83	281.43	288.41	281.69
11 Hong Kong/dollar	7.7290	7.7357	7.7345	7.7483	7.7431	7.7445	7.7454	7.7436	7.7440
12 India/rupee	31.394	32.418	35.506	35.828	35.825	35.820	35.747	36.009	36.476
13 Ireland/pound[2]	149.69	160.35	159.95	155.05	151.11	150.60	149.45	145.34	148.06
14 Italy/lira	1,611.49	1,629.45	1,542.76	1,694.52	1,684.33	1,694.54	1,745.91	1,797.12	1,743.22
15 Japan/yen	102.18	93.96	108.78	125.64	119.19	114.29	115.38	117.93	120.89
16 Malaysia/ringgit	2.6237	2.5073	2.5154	2.5028	2.5070	2.5167	2.5815	2.7589	3.0254
17 Netherlands/guilder	1.8190	1.6044	1.6863	1.9256	1.9173	1.9438	2.0201	2.0709	2.0116
18 New Zealand/dollar[2]	59.358	65.625	68.765	69.220	69.097	68.713	66.097	64.211	63.604
19 Norway/krone	7.0553	6.3355	6.4594	6.9932	7.0797	7.2240	7.4545	7.6224	7.3008
20 Portugal/escudo	165.93	149.88	154.28	171.77	171.72	174.56	181.20	186.50	181.49
21 Singapore/dollar	1.5275	1.4171	1.4100	1.4417	1.4368	1.4271	1.4521	1.4977	1.5164
22 South Africa/rand	3.5526	3.6284	4.3011	4.4417	4.4668	4.5005	4.5611	4.6856	4.6890
23 South Korea/won	806.93	772.69	805.00	895.57	894.67	891.40	893.09	898.71	912.50
24 Spain/peseta	133.88	124.64	126.68	144.48	143.93	145.98	151.33	155.51	150.75
25 Sri Lanka/rupee	49.170	51.047	55.289	58.826	58.862	58.531	58.732	59.189	59.713
26 Sweden/krona	7.7161	7.1406	6.7082	7.6942	7.6856	7.7506	7.8188	7.9886	7.6887
27 Switzerland/franc	1.3667	1.1812	1.2361	1.4618	1.4331	1.4424	1.4824	1.5128	1.4702
28 Taiwan/dollar	26.465	26.495	27.468	27.629	27.791	27.903	28.032	28.824	28.731
29 Thailand/baht	25.161	24.921	25.359	26.064	25.751	24.534	30.274	32.399	35.256
30 United Kingdom/pound[2]	153.19	157.85	156.07	162.93	163.22	164.49	166.94	160.35	160.13
MEMO									
31 United States/dollar[3]	91.32	84.25	87.34	96.39	95.29	95.42	97.48	99.96	98.29

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities
Consolidated Report of Condition, June 30, 1997

Millions of dollars except as noted

Item	Total	Banks with foreign offices[1] Total	Banks with foreign offices[1] Foreign	Banks with foreign offices[1] Domestic	Banks with domestic offices only[2] Over 100	Banks with domestic offices only[2] Under 100
1 **Total assets**[3]	**4,738,520**	**3,068,968**	**798,841**	**2,376,836**	**1,371,482**	**298,069**
2 Cash and balances due from depository institutions	324,632	240,322	82,456	157,866	69,352	14,958
3 Cash items in process of collection, unposted debits, and currency and coin		120,135	3,114	117,022	37,518	
4 Cash items in process of collection and unposted debits		n.a.	n.a.	92,541	25,459	
5 Currency and coin		n.a.	n.a.	24,481	12,058	
6 Balances due from depository institutions in the United States		30,057	11,063	18,994	19,360	n.a.
7 Balances due from banks in foreign countries and foreign central banks	n.a.	75,627	68,171	7,456	4,563	
8 Balances due from Federal Reserve Banks		14,503	108	14,394	7,912	
MEMO						
9 Non-interest-bearing balances due from commercial banks in the United States (included in balances due from depository institutions in the United States)		n.a.	n.a.	10,610	15,468	6,111
10 Total securities, held-to-maturity (amortized cost) and available-for-sale (fair value)	810,507	405,251	51,735	353,516	319,624	85,631
11 U.S. Treasury securities	161,267	71,427	2,359	69,068	68,266	21,574
12 U.S. government agency and corporation obligations (excludes mortgage-backed securities)	136,204	34,458	95	34,363	70,568	31,178
13 Issued by U.S. government agencies	6,096	2,921	n.a.	n.a.	2,225	951
14 Issued by U.S. government-sponsored agencies	130,108	31,538	n.a.	n.a.	68,343	30,227
15 Securities issued by states and political subdivisions in the United States	75,012	22,012	213	21,799	39,060	13,940
16 General obligations	56,181	15,655	n.a.	n.a.	30,322	10,204
17 Revenue obligations	18,208	6,007	n.a.	n.a.	8,511	3,691
18 Industrial development and similar obligations	623	350	n.a.	n.a.	227	46
19 Mortgage-backed securities (MBS)	342,641	201,952	4,737	197,215	124,481	16,209
20 Pass-through securities	233,891	143,115	4,594	138,521	80,773	10,002
21 Guaranteed by GNMA	77,674	53,974	n.a.	n.a.	20,576	3,124
22 Issued by FNMA and FHLMC	153,993	87,508	n.a.	n.a.	59,648	6,837
23 Privately issued	2,224	1,634	9	1,625	549	41
24 Other mortgage-backed securities (includes CMOs, REMICs, and stripped MBS)	108,751	58,836	142	58,694	43,708	6,207
25 Issued or guaranteed by FNMA, FHLMC or GNMA	88,460	46,163	0	46,163	36,462	5,835
26 Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	2,331	929	n.a.	n.a.	1,161	242
27 All other mortgage-backed securities	17,959	11,744	n.a.	n.a.	6,085	130
28 Other debt securities	71,268	61,220	43,069	18,151	8,680	1,369
29 Other domestic debt securities	n.a.	15,033	991	14,043	8,302	n.a.
30 Foreign debt securities	n.a.	46,186	42,078	4,108	377	n.a.
31 Equity securities	24,114	14,183	1,263	12,920	8,570	1,361
32 Investments in mutual funds and other equity securities with readily determinable fair value	8,841	5,377	532	4,845	3,048	415
33 All other equity securities	15,273	8,805	731	8,075	5,522	946
34 Federal funds sold and securities purchased under agreements to resell	244,290	195,190	79,011	116,179	38,097	11,003
35 Total loans and lease-financing receivables, gross	2,851,666	1,783,044	274,677	1,508,367	890,813	177,809
36 LESS: Unearned income on loans	4,635	2,112	881	1,230	1,809	714
37 Total loans and leases (net of unearned income)	2,847,031	1,780,932	273,796	1,507,136	889,004	177,095
38 LESS: Allowance for loan and lease losses	54,159	34,058	n.a.	n.a.	17,534	2,566
39 LESS: Allocated transfer risk reserves	39	39	n.a.	n.a.	0	0
40 EQUALS: Total loans and leases, net	2,792,833	1,746,835	n.a.	n.a.	871,469	174,528
Total loans and leases, gross, by category						
41 Loans secured by real estate	1,186,598	629,927	28,620	601,307	456,609	100,062
42 Construction and land development				36,986	37,508	7,386
43 Farmland				3,148	11,556	11,356
44 One- to four-family residential properties				388,025	245,537	51,832
45 Revolving, open-end loans, extended under lines of credit	n.a.	n.a.	n.a	61,162	28,790	2,552
46 All other loans				326,863	216,746	49,281
47 Multifamily (five or more) residential properties				20,525	16,875	2,227
48 Nonfarm nonresidential properties				152,622	145,133	27,261
49 Loans to depository institutions	91,349	87,045	24,576	62,470	4,190	113
50 Commercial banks in the United States	n.a	51,336	1,756	49,580	3,541	n.a.
51 Other depository institutions in the United States	n.a.	8,003	55	7,949	422	n.a.
52 Banks in foreign countries	n.a.	27,706	22,765	4,941	228	n.a.
53 Loans to finance agricultural production and other loans to farmers	43,490	9,376	5	8,495	15,293	18,821
54 Commercial and industrial loans	750,944	574,162	147,387	426,775	146,994	29,788
55 U.S. addressees (domicile)	n.a.	450,382	28,425	421,957	146,477	n.a.
56 Non-U.S. addressees (domicile)	n.a.	123,780	118,963	4,818	517	n.a.
57 Acceptances of other banks	1,912	1,630	937	693	224	57
58 U.S. banks	n.a.	295	2	293	n.a.	n.a.
59 Foreign banks	n.a	1,336	935	401	n.a.	n.a.
60 Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	551,494	282,660	35,152	247,508	242,249	26,585
61 Credit cards and related plans	224,372	102,936	n.a.	n.a.	119,844	1,592
62 Other (includes single payment and installment)	327,122	179,724	n.a.	n.a.	122,405	24,993
63 Obligations (other than securities) of states and political subdivisions in the United States (includes nonrated industrial development obligations)	17,866	10,172	5	10,167	6,831	863
64 All other loans	120,237	111,088	33,216	77,872	8,290	859
65 Loans to foreign governments and official institutions	n.a.	8,066	7,376	690	35	n.a.
66 Other loans	n.a.	103,022	25,839	77,182	8,254	n.a.
67 Loans for purchasing and carrying securities	n.a.	n.a.	n.a.	19,825	1,557	n.a.
68 All other loans (excludes consumer loans)	n.a.	n.a.	n.a.	57,357	6,697	n.a.
69 Lease-financing receivables	87,776	76,983	3,903	73,079	10,132	661
70 Assets held in trading accounts	270,792	269,640			1,117	1
71 Premises and fixed assets (including capitalized leases)	65,088	38,871			20,785	5,433
72 Other real estate owned	4,993	2,931		n.a.	1,623	440
73 Investments in unconsolidated subsidiaries and associated companies	5,297	4,863	n.a.		398	35
74 Customers' liability on acceptances outstanding	19,138	18,906			222	11
75 Net due from own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a.	n.a.		29,267	n.a.	n.a.
76 Intangible assets	56,562	42,389		n.a.	13,396	777
77 Other assets	144,387	103,770		n.a.	35,399	5,218

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities—Continued
Consolidated Report of Condition, June 30, 1997

Millions of dollars except as noted

Item	Total	Banks with foreign offices[1]			Banks with domestic offices only[2]	
		Total	Foreign	Domestic	Over 100	Under 100
78 **Total liabilities, limited-life preferred stock, and equity capital**	**4,738,520**	**3,068,968**	n.a.	n.a.	**1,371,482**	**298,069**
79 **Total liabilities**	**4,338,213**	**2,830,184**	**798,841**	**2,138,052**	**1,241,587**	**266,442**
80 Total deposits	3,257,978	1,983,361	503,758	1,479,603	1,018,550	256,068
81 Individuals, partnerships, and corporations	2,886,365	1,709,863	324,311	1,385,553	944,605	231,896
82 U.S. government	n.a.	n.a	n.a.	4,630	1,092	241
83 States and political subdivisions in the United States	n.a.	n.a.	n.a.	42,993	54,373	20,139
84 Commercial banks in the United States	66,036	57,390	32,220	25,170	7,764	881
85 Other depository institutions in the United States	n.a.	n.a.	n.a.	2,647	1,102	1,177
86 Banks in foreign countries	n.a.	99,498	91,809	7,690	313	n.a
87 Foreign governments and official institutions	n.a.	46,656	45,268	1,388	30	n.a
88 Certified and official checks	19,074	10,374	1,283	9,091	6,980	1,719
89 Residual[4]	286,504	59,578	8,868	n.a.	n.a.	14
90 Total transaction accounts				428,118	258,454	73,499
91 Individuals, partnerships, and corporations				371,377	226,541	64,032
92 U.S. government				1,795	753	144
93 States and political subdivisions in the United States				16,217	17,339	7,154
94 Commercial banks in the United States				19,286	5,627	337
95 Other depository institutions in the United States				1,877	895	101
96 Banks in foreign countries				7,690	313	n.a.
97 Foreign governments and official institutions				784	7	n.a.
98 Certified and official checks				9,091	6,980	1,719
99 Residual[4]				n.a.	n.a	12
100 Demand deposits (included in total transaction accounts)				381,727	173,184	37,845
101 Individuals, partnerships, and corporations				331,121	153,121	34,085
102 U.S. government				1,754	711	132
103 States and political subdivisions in the United States				10,126	5,536	1,466
104 Commercial banks in the United States				19,286	5,626	335
105 Other depository institutions in the United States				1,877	890	97
106 Banks in foreign countries	n.a	n.a.	n.a.	7,690	313	n.a.
107 Foreign governments and official institutions				783	7	n.a
108 Certified and official checks				9,091	6,980	1,719
109 Residual[4]				n.a.	n.a.	11
110 Total nontransaction accounts				1,051,485	760,096	182,569
111 Individuals, partnerships, and corporations				1,014,176	718,065	167,864
112 U.S. government				2,835	339	97
113 States and political subdivisions in the United States				26,776	37,034	12,985
114 Commercial banks in the United States				5,884	2,137	544
115 U.S. branches and agencies of foreign banks				0	0	n.a.
116 Other commercial banks in the United States				0	0	n.a
117 Other depository institutions in the United States				770	2,269	1,076
118 Banks in foreign countries				441	228	n.a.
119 Foreign branches of other U.S. banks				0	0	n.a.
120 Other banks in foreign countries				0	0	n.a.
121 Foreign governments and official institutions				603	23	n.a
122 Residual[4]				n.a.	n.a.	3
123 Federal funds purchased and securities sold under agreements to repurchase	380,461	297,095	66,003	231,092	79,730	3,637
124 Demand notes issued to the U.S. Treasury	31,550	26,854	0	26,854	4,478	217
125 Trading liabilities	166,248	166,094	n.a.	n.a.	154	1
126 Other borrowed money	318,466	201,231	40,371	160,860	113,330	3,905
127 Banks' liability on acceptances executed and outstanding	19,195	18,963	4,128	14,835	222	11
128 Notes and debentures subordinated to deposits	54,086	50,131		n.a.	3,932	24
129 Net due to own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a	n.a		77,442	n.a	n.a
130 All other liabilities	110,229	86,456		n.a.	21,193	2,580
131 **Total equity capital**	400,307	238,784		n.a.	129,895	31,627
MEMO						
132 Total individual retirement (IRA) and Keogh plan accounts				75,274	62,601	14,232
133 Total brokered deposits				32,549	21,317	1,314
134 Fully insured brokered deposits			n.a.	23,408	19,247	1,187
135 Issued in denominations of less than $100,000				4,448	3,265	937
136 Issued in denominations of $100,000, or in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	n.a.	n.a.		18,960	15,982	250
137 Money market deposit accounts (MMDAs)				390,359	174,776	25,750
138 Other savings deposits (excluding MMDAs)				180,058	129,237	26,556
139 Total time deposits of less than $100,000				304,851	326,286	98,691
140 Total time deposits of $100,000 or more				176,217	129,797	31,573
141 All negotiable order of withdrawal (NOW) accounts				45,995	83,571	34,796
142 Number of banks	9,293	173		n.a.	2,875	6,245

Footnotes appear at the end of table 4.22

4.22 DOMESTIC OFFICES Insured Commercial Bank Assets and Liabilities
Consolidated Report of Condition, June 30, 1997

Millions of dollars except as noted

Item	Total	Members			Nonmembers
		Total	National	State	
1 **Total assets**	**4,046,387**	**3,192,657**	**2,359,867**	**832,790**	**853,731**
2 Cash and balances due from depository institutions	242,176	201,045	148,543	52,502	41,131
3 Total securities, held-to-maturity (amortized cost) and available-for-sale (fair value)	405,255	219,107	166,028	53,079	186,149
4 U.S. Treasury securities	89,840	46,518	33,394	13,124	43,323
5 U.S government agency and corporation obligations (excludes mortgage-backed securities)	101,746	48,485	36,659	11,827	53,261
6 Securities issued by states and political subdivisions in the United States	53,000	27,619	20,241	7,378	25,381
7 Mortgage-backed securities (MBS)	140,690	85,473	66,869	18,603	55,217
8 Pass-through securities	90,775	56,457	44,473	11,984	34,318
9 Issued or guaranteed by FNMA, FHLMC, or GNMA	90,185	56,129	44,317	11,813	34,056
10 Other pass-through securities	590	327	156	171	262
11 Other mortgage-backed securities (includes CMOs, REMICs, and stripped MBS)	49,914	29,016	22,397	6,619	20,899
12 Issued or guaranteed by FNMA, FHLMC, or GNMA	42,297	25,541	19,964	5,577	16,756
13 All other mortgage-backed securities	7,617	3,475	2,433	1,042	4,143
14 Other debt securities	10,048	5,400	4,404	996	4,648
15 Equity securities	9,931	5,612	4,461	1,151	4,319
16 Investments in mutual funds and other equity securities with readily determinable fair values	3,464	1,468	1,198	270	1,995
17 All other equity securities	6,468	4,144	3,263	881	2,324
18 Federal funds sold and securities purchased under agreements to resell	165,279	142,238	83,719	58,519	23,041
19 Total loans and lease-financing receivables, gross	2,576,989	2,027,764	1,576,185	451,579	549,225
20 LESS: Unearned income on loans	3,754	2,167	1,776	391	1,587
21 Total loans and leases (net of unearned income)	2,573,235	2,025,597	1,574,409	451,188	547,638
Total loans and leases, gross, by category					
22 Loans secured by real estate	1,157,978	864,388	669,080	195,308	293,589
23 Construction and land development	81,880	56,254	44,097	12,156	25,626
24 Farmland	26,060	12,429	9,616	2,813	13,631
25 One- to four-family residential properties	685,394	536,109	411,659	124,449	149,285
26 Revolving, open-end loans, extended under lines of credit	92,504	77,005	62,392	14,612	15,499
27 All other loans	592,890	459,104	349,267	109,837	133,786
28 Multifamily (five or more) residential properties	39,627	28,366	22,367	5,999	11,262
29 Nonfarm nonresidential properties	325,016	231,231	181,340	49,891	93,785
30 Loans to depository institutions	66,773	65,421	60,510	4,911	1,352
31 Loans to finance agricultural production and other loans to farmers	42,609	22,833	18,644	4,189	19,776
32 Commercial and industrial loans	603,557	504,653	377,079	127,574	98,904
33 Acceptances of other banks	975	677	356	322	297
34 Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	516,342	397,267	333,268	63,998	119,075
35 Obligations (other than securities) of states and political subdivisions in the United States	17,861	14,769	11,415	3,354	3,092
36 All other loans	87,021	81,633	49,537	32,095	5,388
37 Lease-financing receivables	83,873	76,122	56,294	19,828	7,751
38 Net due from own foreign offices, Edge Act and agreement subsidiaries, and IBFs	29,267	27,141	9,000	18,141	2,126
39 Remaining assets	631,175	577,529	378,168	199,361	53,646
40 **Total liabilities**	**3,646,081**	**2,876,200**	**2,127,168**	**749,032**	**769,881**
41 Total deposits	2,754,220	2,103,133	1,580,976	522,157	651,087
42 Individuals, partnerships, and corporations	2,562,054	1,961,126	1,475,746	485,380	600,928
43 U.S. government	5,963	5,271	4,757	514	692
44 States and political subdivisions in the United States	117,504	79,770	57,764	22,005	37,735
45 Commercial banks in the United States	33,816	30,204	24,777	5,426	3,612
46 Other depository institutions in the United States	4,926	3,271	2,411	860	1,655
47 Certified and official checks	17,790	13,168	9,843	3,325	4,623
48 Banks in foreign countries, foreign governments, and foreign official institutions	10,104	9,155	4,610	4,544	949
49 Total transaction accounts	760,070	591,959	440,409	151,549	168,112
50 Individuals, partnerships, and corporations	661,950	514,478	383,600	130,878	147,471
51 U.S. government	2,692	2,284	1,816	468	409
52 States and political subdivisions in the United States	40,710	28,200	21,106	7,095	12,509
53 Commercial banks in the United States	25,250	23,471	18,624	4,847	1,779
54 Other depository institutions in the United States	2,873	2,329	1,710	620	543
55 Certified and official checks	17,790	13,168	9,843	3,325	4,623
56 Banks in foreign countries, foreign governments, and foreign official institutions	8,805	8,028	3,711	4,318	777
57 Demand deposits (included in total transaction accounts)	592,756	487,638	361,403	126,235	105,118
58 Individuals, partnerships, and corporations	518,326	424,916	315,359	109,556	93,411
59 U.S. government	2,597	2,230	1,776	454	367
60 States and political subdivisions in the United States	17,128	13,502	10,384	3,117	3,626
61 Commercial banks in the United States	25,247	23,470	18,624	4,846	1,776
62 Other depository institutions in the United States	2,864	2,327	1,707	620	538
63 Certified and official checks	17,790	13,168	9,843	3,325	4,623
64 Banks in foreign countries, foreign governments, and foreign official institutions	8,804	8,027	3,709	4,318	777
65 Total nontransaction accounts	1,994,150	1,511,175	1,140,567	370,607	482,975
66 Individuals, partnerships, and corporations	1,900,105	1,446,648	1,092,146	354,502	453,457
67 U.S. government	3,270	2,987	2,941	47	283
68 States and political subdivisions in the United States	76,795	51,569	36,659	14,911	25,225
69 Commercial banks in the United States	8,566	6,733	6,153	580	1,833
70 Other depository institutions in the United States	4,116	2,110	1,769	341	2,006
71 Banks in foreign countries, foreign governments, and foreign official institutions	1,298	1,126	900	227	172

4.22 DOMESTIC OFFICES Insured Commercial Bank Assets and Liabilities—Continued
Consolidated Report of Condition, June 30, 1997

Millions of dollars except as noted

Item	Total	Members			Non-members
		Total	National	State	
72 Federal funds purchased and securities sold under agreements to repurchase	314,458	277,345	193,589	83,756	37,113
73 Demand notes issued to the U.S. Treasury	31,550	29,030	16,547	12,484	2,520
74 Other borrowed money	278,095	224,323	172,235	52,088	53,772
75 Banks liability on acceptances executed and outstanding	15,067	14,816	10,353	4,463	252
76 Net due to own foreign offices, Edge Act and agreement subsidiaries, and IBFs	77,442	66,877	49,200	17,677	10,566
77 Remaining liabilities	175,248	160,676	104,268	56,408	14,572
MEMO					
78 Trading assets at large banks[5]	77,033	76,789	38,034	38,755	244
79 U.S. Treasury securities (domestic offices)	13,251	13,186	8,813	4,374	65
80 U.S. government agency corporation obligations	2,224	2,198	1,761	437	26
81 Securities issued by states and political subdivisions in the United States	1,096	1,089	835	254	7
82 Mortgage-backed securities	7,104	7,071	940	6,132	33
83 Other debt securities	10,284	10,283	7,257	3,026	1
84 Certificates of deposit	1,597	1,597	528	1,069	0
85 Commercial paper	272	222	222	0	50
86 Bankers acceptances	1,378	1,347	946	401	30
87 Other trading assets	5,634	5,615	1,965	3,650	19
88 Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts	34,193	34,180	14,769	19,411	13
89 Total individual retirement (IRA) and Keogh plan accounts	152,107	113,963	88,773	25,189	38,144
90 Total brokered deposits	55,180	39,117	26,226	12,891	16,063
91 Fully insured brokered deposits	43,842	30,986	21,510	9,477	12,856
92 Issued in denominations of less than $100,000	8,649	6,203	3,054	3,149	2,447
93 Issued in denominations of $100,000, or in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	35,193	24,783	18,456	6,328	10,409
94 Money market deposit accounts (MMDAs)	590,884	493,944	384,653	109,291	96,940
95 Other savings deposits	335,852	263,394	191,172	72,222	72,458
96 Total time deposits of less than $100,000	729,828	511,818	398,983	112,835	218,009
97 Total time deposits of $100,000 or more	337,587	242,019	165,759	76,259	95,568
98 All negotiable order of withdrawal (NOW) accounts	164,362	102,763	77,663	25,100	61,599
99 Number of banks	9,293	3,654	2,663	991	5,639

NOTE. The notation "n.a." indicates the lesser detail available from banks that don't have foreign offices, the inapplicability of certain items to banks that have only domestic offices or the absence of detail on a fully consolidated basis for banks that have foreign offices.

1. All transactions between domestic and foreign offices of a bank are reported in "net due from" and "net due to" lines. All other lines represent transactions with parties other than the domestic and foreign offices of each bank. Because these intraoffice transactions are nullified by consolidation, total assets and total liabilities for the entire bank may not equal the sum of assets and liabilities respectively of the domestic and foreign offices.

Foreign offices include branches in foreign countries, Puerto Rico, and U.S. territories and possessions; subsidiaries in foreign countries; all offices of Edge Act and agreement corporations wherever located; and IBFs.

2. "Over 100" refers to banks whose assets, on June 30 of the preceding calendar year, were $100 million or more. (These banks file the FFIEC 032 or FFIEC 033 Call Report.) "Under 100" refers to banks whose assets, on June 30 of the preceding calendar year, were less than $100 million. (These banks file the FFIEC 034 Call Report.)

3. Because the domestic portion of allowances for loan and lease losses and allocated transfer risk reserves are not reported for banks with foreign offices, the components of total assets (domestic) do not sum to the actual total (domestic).

4. "Residual" equals the sum of the "n.a." categories listed above it.

5. Components of "Trading assets at large banks" are reported only by banks with either total assets of $1 billion or more or with $2 billion or more in the par/notional amount of their off-balance-sheet derivative contracts.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 4–8, 1997

A. Commercial and industrial loans made by all commercial banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3] (Days)	Amount of loans (percent): Secured by collateral	Amount of loans (percent): Callable	Amount of loans (percent): Subject to prepayment penalty	Amount of loans (percent): Made under commitment	Most common base pricing rate[4]
LOAN RISK[5]									
1 All consumer and industrial loans	6.81	141,231	882	266	29.5	19.9	31.8	73.4	Fed funds
2 Minimal risk	6.08	11,788	1,359	66	22.6	35.2	62.9	74.9	Fed funds
3 Low risk	6.29	36,602	1,867	193	18.1	12.5	29.9	60.3	Fed funds
4 Moderate risk	6.94	52,807	784	303	31.3	26.7	29.6	81.6	Fed funds
5 Acceptable risk	7.46	22,337	556	332	42.8	15.8	28.2	80.2	Foreign
By maturity/repricing interval[6]									
6 Zero interval	8.16	27,561	332	614	41.2	15.3	18.2	80.3	Prime
7 Minimal risk	7.58	339	127	458	47.2	17.0	7.3	95.9	Prime
8 Low risk	7.81	3,895	534	561	22.1	30.5	5.1	96.0	Prime
9 Moderate risk	8.37	9,870	261	867	46.9	15.7	3.7	92.2	Prime
10 Acceptable risk	8.87	5,179	205	576	56.4	20.4	31.1	96.8	Prime
11 Daily	6.22	64,941	4,053	39	19.7	25.6	33.8	62.6	Fed funds
12 Minimal risk	5.94	9,850	22,644	17	22.2	40.7	69.2	72.7	Fed funds
13 Low risk	6.01	21,489	8,415	23	14.1	12.0	28.1	41.9	Fed funds
14 Moderate risk	6.36	22,911	4,281	44	22.6	39.9	33.8	75.5	Fed funds
15 Acceptable risk	6.60	5,485	1,979	79	18.5	8.2	8.8	55.2	Fed funds
16 2 to 30 days	6.72	21,527	1,254	239	30.7	15.9	33.9	81.0	Foreign
17 Minimal risk	6.48	678	2,457	157	23.1	7.7	45.3	78.0	Foreign
18 Low risk	6.12	5,050	2,887	283	24.4	6.7	36.4	78.0	Foreign
19 Moderate risk	6.72	8,681	1,244	132	24.4	27.1	36.3	84.9	Foreign
20 Acceptable risk	7.34	5,446	896	263	46.4	9.9	29.3	79.8	Other
21 31 to 365 days	6.70	23,616	795	387	35.6	12.7	44.3	91.4	Foreign
22 Minimal risk	6.58	856	202	376	13.9	2.1	30.4	90.0	Foreign
23 Low risk	6.33	5,443	900	370	24.7	6.5	52.6	90.8	Foreign
24 Moderate risk	6.70	9,492	794	356	32.5	8.3	45.4	92.2	Foreign
25 Acceptable risk	7.04	5,797	1,744	405	48.2	23.5	44.6	89.3	Foreign
				Months					
26 More than 365 days	8.44	2,686	240	52	65.5	3.3	3.6	35.0	Prime
27 Minimal risk	7.72	55	57	43	44.2	6.8	.5	62.3	Other
28 Low risk	7.54	650	378	50	17.7	3.1	3.4	58.0	Other
29 Moderate risk	8.72	1,593	348	54	84.4	2.5	3.8	18.3	Prime
30 Acceptable risk	8.91	268	174	43	68.6	1.7	5.1	68.9	Prime
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6] (Days)					
SIZE OF LOAN									
31 1–99	9.73	2,594	3.2	141	83.0	30.8	5.2	74.9	Prime
32 100–999	8.74	10,518	3.2	79	68.1	24.0	15.1	86.4	Prime
33 1,000–9,999	7.23	33,639	3.0	46	40.2	13.8	31.4	78.8	Foreign
34 10,000+	6.37	94,481	2.5	33	19.9	21.3	34.5	70.0	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.06	24,187	3.1	104	60.0	21.6	9.5	73.7	213
36 Fed funds	6.02	50,391	2.4	7	19.7	29.6	41.0	56.4	10,333
37 Other domestic	6.13	13,315	2.6	23	6.3	37.0	34.8	75.0	2,767
38 Foreign	6.67	39,020	2.8	33	33.0	6.3	42.4	92.9	4,280
39 Other	6.82	14,078	3.0	103	24.6	4.6	4.2	77.7	503

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 4–8, 1997

B. Commercial and industrial loans made by large domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent): Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	Most common base pricing rate[4]
				Days					
LOAN RISK[5]									
1 All consumer and industrial loans	7.05	57,683	1,057	392	31.4	19.0	8.9	65.3	Prime
2 Minimal risk	6.23	1,019	1,798	401	10.2	.8	59.7	97.0	Domestic
3 Low risk	6.47	11,676	3,302	453	23.7	34.8	15.9	70.1	Domestic
4 Moderate risk	7.05	22,244	1,022	441	37.0	24.4	7.8	66.3	Prime
5 Acceptable risk	7.46	12,548	611	324	39.1	7.2	6.1	69.1	Prime
By maturity/repricing interval[6]									
6 Zero interval	8.18	15,246	492	591	39.0	15.1	3.7	68.4	Prime
7 Minimal risk	7.15	93	350	746	31.4	4.0	25.9	99.9	Prime
8 Low risk	7.47	2,740	1,833	496	14.5	34.3	3.7	98.0	Prime
9 Moderate risk	8.02	5,099	394	694	50.6	15.3	4.3	92.0	Prime
10 Acceptable risk	8.90	2,559	195	680	60.1	16.9	7.5	96.2	Prime
11 Daily	6.36	20,442	2,196	107	26.3	33.6	4.1	52.6	Fed funds
12 Minimal risk	6.52	311	2,747	327	1.6	1.5	50.3	90.4	Domestic
13 Low risk	6.00	4,210	5,135	151	39.7	59.6	5.9	38.7	Fed funds
14 Moderate risk	6.45	8,466	2,646	110	32.8	43.9	3.8	47.9	Fed funds
15 Acceptable risk	6.71	3,619	2,104	104	17.2	4.9	.4	38.9	Fed funds
16 2 to 30 days	6.80	11,709	1,460	270	25.5	9.1	16.5	75.4	Other
17 Minimal risk	5.88	406	4,590	208	10.4	.0	71.2	99.9	Foreign
18 Low risk	6.18	2,516	4,282	399	21.2	11.3	34.1	80.9	Domestic
19 Moderate risk	6.78	4,229	1,361	163	21.5	15.3	9.2	75.6	Other
20 Acceptable risk	7.35	3,652	1,074	314	37.6	3.6	10.6	72.7	Other
21 31 to 365 days	6.70	7,887	2,168	538	29.8	7.5	21.7	84.9	Foreign
22 Minimal risk	6.08	182	2,152	627	15.1	*	75.9	100.0	Foreign
23 Low risk	6.23	1,661	3,052	724	9.4	17.7	38.2	88.1	Foreign
24 Moderate risk	6.71	3,002	1,776	649	25.8	6.8	25.0	84.7	Foreign
25 Acceptable risk	7.09	2,428	2,617	273	49.3	2.2	6.6	78.5	Foreign
				Months					
26 More than 365 days	8.21	2,147	1,908	47	59.5	8	3.7	33.5	Prime
27 Minimal risk	*	*	*	*	*	*	*	*	*
28 Low risk	7.20	513	8,597	40	.7	*	2.4	65.3	Other
29 Moderate risk	8.61	1,376	2,754	50	83.2	1.2	4.1	13.6	Prime
30 Acceptable risk	8.56	183	444	39	57.1	.1	4.6	73.7	Prime
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN									
31 1–99	9.40	950	3.5	41	82.2	36.5	6.0	89.1	Prime
32 100–999	8.77	5,354	3.4	52	66.1	21.3	9.6	87.5	Prime
33 1,000–9,999	7.46	16,844	3.1	55	39.3	13.2	10.8	70.7	Prime
34 10,000+	6.51	34,535	2.9	75	20.7	21 1	8.0	58.5	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	8.91	14,831	3.2	149	57.0	18.1	5.2	67.0	337
36 Fed funds	6.19	11,359	3.0	14	32.4	40.0	2.6	40.4	8,615
37 Other domestic	6.10	9,890	2.6	14	6.4	31.8	21.6	67.8	6.242
38 Foreign	6.69	9,882	3.1	52	35.0	5.1	14.7	73.9	3,101
39 Other	6.62	11,721	3.0	69	15.9	2.7	3.8	77.8	2,639

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 4–8, 1997

C. Commercial and industrial loans made by small domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All consumer and industrial loans	8.10	12,910	136	531	56.4	18.7	29.2	64.0	Prime
2 Minimal risk	7.71	668	86	238	65.5	18.3	7.1	63.6	Prime
3 Low risk	7.22	2,966	219	477	33.7	9.4	36.7	50.0	Fed funds
4 Moderate risk	8.20	5,268	126	612	57.6	20.3	26.1	68.1	Prime
5 Acceptable risk	8.85	1,999	119	638	78.7	12.0	30.0	77.8	Prime
By maturity/repricing interval[6]									
6 Zero interval	9.12	4,810	98	766	74.0	24.8	6.6	87.4	Prime
7 Minimal risk	8.60	140	59	288	82.2	27.4	.4	90.1	Prime
8 Low risk	8.93	741	137	816	55.8	24.1	3.6	87.3	Prime
9 Moderate risk	8.97	2,544	106	898	71.9	23.4	3.9	85.8	Prime
10 Acceptable risk	9.63	995	90	613	93.4	15.3	18.6	92.7	Prime
11 Daily	6.87	3,226	694	134	26.1	1.4	82.2	16.1	Fed funds
12 Minimal risk	5.97	170	1,040	306	58.6	1.2	12.1	87.9	Foreign
13 Low risk	6.00	1,063	1,169	29	1.5	.2	90.6	7.5	Fed funds
14 Moderate risk	6.24	1,066	765	68	9.3	1.0	85.5	12.8	Fed funds
15 Acceptable risk	6.86	310	383	160	23.0	1.7	70.3	27.6	Fed funds
16 2 to 30 days	7.64	1,904	260	250	58.0	23.4	17.1	75.8	Prime
17 Minimal risk	7.84	205	1,471	16	52.1	25.5	3.4	50.8	Prime
18 Low risk	6.86	486	785	288	50.9	1.3	11.8	65.6	Other
19 Moderate risk	8.10	632	200	254	70.4	35.7	29.1	88.5	Prime
20 Acceptable risk	8.47	287	129	510	75.6	13.5	10.7	76.1	Prime
21 31 to 365 days	7.75	2,198	98	500	50.2	21.4	19.5	75.2	Foreign
22 Minimal risk	8.63	115	28	175	73.9	15.4	16.9	25.3	Prime
23 Low risk	7.32	510	108	598	36.6	7.1	8.2	71.7	Foreign
24 Moderate risk	8.11	656	74	300	52.8	13.6	26.9	69.2	Other
25 Acceptable risk	8.41	286	215	1113	83.8	6.9	56.4	85.3	Foreign
				Months					
26 More than 365 days	9.41	507	51	77	91.1	14.0	1.8	37.0	Other
27 Minimal risk	9.29	29	31	36	83.5	12.9	*	28.9	Other
28 Low risk	8.88	127	76	94	80.6	15.9	*	25.0	Other
29 Moderate risk	9.43	207	51	82	96.4	11.4	1.8	45.7	Other
30 Acceptable risk	9.82	72	65	56	96.2	6.0	7.3	51.5	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN									
31 1–99	9.98	1,583	3.0	205	84.4	27.3	3.8	65.5	Prime
32 100–999	9.14	3,571	3.0	139	78.9	27.3	8.8	80.4	Prime
33 1,000–9,999	8.09	3,740	2.9	55	65.3	17.8	31.7	70.5	Prime
34 10,000+	6.44	4,016	2.6	22	16.9	8.4	55.0	42.9	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.48	6,091	3.0	35	79.5	24.6	14.2	76.2	92
36 Fed funds	5.98	2,894	2.7	17	6.6	7.6	84.6	16.1	2,792
37 Other domestic	7.14	411	2.2	310	36.8	52.5	*	78.3	141
38 Foreign	6.98	1,621	2.8	61	48.5	9.1	28.6	92.1	1,255
39 Other	8.05	1,894	2.6	343	69.1	17.5	2.6	71.3	81

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 4–8, 1997

D. Commercial and industrial loans made by U.S. branches and agencies of foreign banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All consumer and industrial loans	6.38	70,639	6,558	126	23.0	20.8	50.6	81.7	Fed funds
2 Minimal risk	5.95	10,101	32,950	22	21.0	39.8	66.9	73.4	Fed funds
3 Low risk	6.07	21,960	8,731	37	13.0	1.0	36.5	56.5	Fed funds
4 Moderate risk	6.58	25,295	6,427	131	20.8	30.0	49.6	97.8	Foreign
5 Acceptable risk	7.11	7,791	2,719	273	39.6	30.8	63.3	98.6	Foreign
By maturity/repricing interval[6]									
6 Zero interval	7.51	7,505	2,593	562	24.8	9.8	55.1	99.9	Fed funds
7 Minimal risk	*	*	*	*	*	*	*	*	*
8 Low risk	8.05	414	1,125	783	11.6	16.9	16.9	98.6	Prime
9 Moderate risk	8.46	2,227	2,370	1735	10.0	7.9	2.1	100.0	Foreign
10 Acceptable risk	8.34	1,626	1,570	393	27.9	29.0	75.9	100.0	Foreign
11 Daily	6.11	41,273	19,978	4	15.9	23.6	44.1	71.2	Fed funds
12 Minimal risk	5.92	9,369	59,072	2	22.3	42.8	70.9	71.8	Fed funds
13 Low risk	6.01	16,216	19,655	1	8.3	4	29.7	44.9	Fed funds
14 Moderate risk	6.32	13,379	17,641	11	17.2	40.5	48.6	97.9	Fed funds
15 Acceptable risk	6.28	1,557	6,385	4	20.7	17.2	16.1	98.5	Fed funds
16 2 to 30 days	6.39	7,914	4,340	189	31.8	24.2	63.5	90.6	Foreign
17 Minimal risk	5.96	67	1,394	171	10.8	*	16.7	28.3	Fed funds
18 Low risk	5.85	2,049	3,776	123	22.1	2.4	45.0	77.4	Foreign
19 Moderate risk	6.42	3,820	5,418	80	20.1	38.8	67.6	94.7	Fed funds
20 Acceptable risk	7.11	1,508	3,308	104	62.1	24.6	78.1	97.9	Foreign
21 31 to 365 days	6.53	13,531	3,752	283	36.7	14.2	61.3	97.8	Foreign
22 Minimal risk	6.32	559	6,994	336	1.3	*	18.4	100.0	Foreign
23 Low risk	6.23	3,272	4,240	155	30.5	.7	66.8	95.2	Foreign
24 Moderate risk	6.54	5,834	4,049	212	33.6	8.5	58.0	98.6	Foreign
25 Acceptable risk	6.87	3,084	2,881	440	44.1	41.8	73.3	98.2	Foreign
				Months					
26 More than 365 days	8.53	32	673	34	60.4	*	30.1	100.0	Prime
27 Minimal risk	*	*	*	*	*	*	*	*	*
28 Low risk	*	*	*	*	*	*	*	*	*
29 Moderate risk	*	*	*	*	*	*	*	*	*
30 Acceptable risk	*	*	*	*	*	*	*	*	*
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN									
31 1–99	8.61	61	3.2	14	56.5	32.9	30.7	96.4	Prime
32 100–999	7.75	1,593	3.2	36	50.4	25.5	47.5	96.6	Foreign
33 1,000–9,999	6.69	13,055	3.0	33	34.1	13.4	57.6	91.7	Foreign
34 10,000+	6.27	55,930	2.4	7	19.6	22.4	49.0	78.9	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	8.98	3,265	3.0	12	37.1	31.7	20.5	99.8	1,028
36 Fed funds	5.97	36,139	2.2	4	16.8	28.4	48.7	64.6	14,331
37 Other domestic	6.09	3,015	2.5	13	2.1	52.2	82.9	98.2	9,424
38 Foreign	6.65	27,517	2.8	25	31.4	6.6	53.1	99.7	5,933
39 Other	6.88	463	2.9	30	64.2	*	19.6	100.0	4,137

NOTE. This table has been revised to reflect several changes in the E.2 statistical release. First, business loan pricing information is now disaggregated by risk categories for most loans. Second, the previous disaggregation of loans by maturity categories has been replaced by a "maturity/repricing interval," which measures the period from the day the loan is made until it is next scheduled to reprice (for loans that reprice), or the period from the day the loan is made until it is scheduled to mature (for loans that do not reprice). Third, information on whether loans are callable or subject to prepayment penalties is now being collected and published. In addition to these new loan characteristics, the survey now includes gross business loan extensions of U.S. branches and agencies of foreign banks.

1. As of December 31, 1996, assets of most of the large banks were at least $7.0 billion. Median total assets for all insured banks were roughly $62 million. Assets at all U.S. branches and agencies averaged 1.3 billion.

2. Effective (compounded) annual interest rates are calculated from the stated rate and other terms of the loans and weighted by loan amount. The standard error of the loan rate for all commercial and industrial loans in the current survey (line 1, column 1) is 0.11 percentage points. The chances are about two out of three that the average rate shown would differ by less than this amount from the average rate that would be found by a complete survey of the universe of all banks.

3. Average maturities are weighted by loan amount and exclude loans with no stated maturities.

4. The most common base pricing rate is that used to price the largest dollar volume of loans. Base pricing rates include the prime rate (sometimes referred to as a bank's "base" or "reference" rate); the federal funds rate; domestic money market rates other than the prime rate and the federal funds rate; foreign money market rates; and other base rates not included in the foregoing classifications.

5. A complete description of these risk categories is available from the Banking and Money Market Statistics Section, Mail Stop 81, Board of Governors of the Federal Reserve System, Washington, DC 20551. The category "Moderate risk" includes the average loan, under average economic conditions, at the typical lender. The category "Acceptable risk" may include a small volume of special mention or classified loans. The weighted-average risk ratings published for loans in rows 31–39 are calculated by assigning a value of "1" to minimal risk loans; "2" to low risk loans; "3" to moderate risk loans, "4" to acceptable risk loans; and "5" to special mention and classified loans. These values are weighted by loan amount and exclude loans with no risk rating. Some of the loans in lines 1, 6, 11, 16, 21, 26, and 31–39 are not rated for risk.

6. The maturity/repricing interval measures the period from the date the loan is made until it first may reprice or it matures. For floating-rate loans that are subject to repricing at any time—such as many prime-based loans—the maturity/repricing interval is zero. For floating-rate loans that have a scheduled repricing interval, the maturity/repricing interval measures the number of days between the date the loan is made and the date on which it is next scheduled to reprice. For loans having rates that remain fixed until the loan matures (fixed-rate loans), the maturity/repricing interval measures the number of days between the date the loan is made and the date on which it matures. Loans that reprice daily mature or reprice on the business day after they are made. Owing to weekends and holidays, such loans may have maturity/repricing intervals in excess of one day; such loans are not included in the "2 to 30 day" category.

7. For the current survey, the average reported prime rate, weighted by the amount of loans priced relative to a prime base rate, was 8.54 percent for all banks; 8.50 percent for large domestic banks, 8.62 percent for small domestic banks, and 8.50 percent for U.S. branches and agencies of foreign banks.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1997[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**[1]	**907,189**	**285,366**	**720,618**	**236,358**	**63,746**	**19,985**	**75,018**	**17,760**
2 Claims on nonrelated parties	770,964	144,245	603,611	118,970	60,062	8,712	66,736	9,197
3 Cash and balances due from depository institutions	115,628	81,168	102,955	71,028	2,338	1,616	8,538	7,521
4 Cash items in process of collection and unposted debits	3,655	0	3,511	0	13	0	57	0
5 Currency and coin (U.S. and foreign)	22	n.a.	15	n.a.	2	n.a.	1	n.a.
6 Balances with depository institutions in United States	62,718	37,497	57,067	33,819	1,650	1,010	3,260	2,402
7 U.S. branches and agencies of other foreign banks (including IBFs)	57,651	36,274	52,733	32,767	1,374	962	3,015	2,289
8 Other depository institutions in United States (including IBFs)	5,067	1,224	4,334	1,052	276	48	245	113
9 Balances with banks in foreign countries and with foreign central banks	48,327	43,670	41,610	37,209	630	607	5,181	5,118
10 Foreign branches of U.S. banks	1,107	758	900	580	0	0	176	176
11 Other banks in foreign countries and foreign central banks	47,220	42,912	40,710	36,629	630	607	5,005	4,942
12 Balances with Federal Reserve Banks	905	n.a.	752	n.a.	43	n.a.	39	n.a.
13 **Total securities and loans**	**484,622**	**53,431**	**349,317**	**39,008**	**53,270**	**6,748**	**44,703**	**1,448**
14 Total securities, book value	117,710	7,922	108,741	6,857	2,988	687	5,312	340
15 U.S. Treasury	31,858	n.a.	30,340	n.a.	596	n.a.	813	n.a.
16 Obligations of U.S. government agencies and corporations	39,722	n.a.	38,809	n.a.	349	n.a.	386	n.a.
17 Other bonds, notes, debentures, and corporate stock (including state and local securities)	46,130	7,922	39,591	6,857	2,044	687	4,113	340
18 Securities of foreign governmental units	16,591	3,797	15,533	3,385	511	204	476	193
19 All Other	29,539	4,126	24,058	3,472	1,533	483	3,637	147
20 Federal funds sold and securities purchased under agreements to resell	65,367	7,132	58,020	6,800	686	165	5,881	116
21 U.S. branches and agencies of other foreign banks	13,485	5,099	12,372	4,884	448	165	330	50
22 Commercial banks in United States	8,597	26	7,797	26	92	0	336	0
23 Other	43,285	2,007	37,851	1,890	147	0	5,214	66
24 Total loans, gross	367,166	45,539	240,743	32,174	50,331	6,062	39,397	1,108
25 LESS: Unearned income on loans	254	30	166	23	49	2	5	0
26 EQUALS: Loans, net	366,913	45,509	240,577	32,151	50,282	6,060	39,392	1,108
Total loans, gross, by category								
27 Real estate loans	27,662	294	18,759	203	6,648	91	1,144	0
28 Loans to depository institutions	39,832	27,649	26,196	17,482	6,087	4,764	1,106	727
29 Commercial banks in United States (including IBFs)	13,087	7,663	7,853	4,153	4,262	3,171	336	156
30 U.S. branches and agencies of other foreign banks	11,880	7,540	6,778	4,040	4,207	3,161	270	156
31 Other commercial banks in United States	1,207	123	1,075	113	56	10	66	0
32 Other depository institutions in United States (including IBFs)	14	0	14	0	0	0	0	0
33 Banks in foreign countries	26,731	19,986	18,329	13,328	1,824	1,594	770	572
34 Foreign branches of U.S. banks	1,016	880	830	699	0	0	0	0
35 Other banks in foreign countries	25,716	19,106	17,499	12,629	1,824	1,594	770	572
36 Loans to other financial institutions	49,211	696	41,768	492	2,976	48	3,767	46
37 Commercial and industrial loans	229,436	14,722	136,480	11,963	33,625	1,124	32,342	332
38 U.S. addressees (domicile)	194,134	108	110,468	91	30,652	15	30,864	0
39 Non-U.S. addressees (domicile)	35,302	14,614	26,012	11,872	2,973	1,109	1,478	332
40 Acceptances of other banks	532	46	326	46	74	0	113	0
41 U.S. banks	23	0	13	0	4	0	0	0
42 Foreign banks	510	46	314	46	70	0	113	0
43 Loans to foreign governments and official institutions (including foreign central banks)	3,268	1,946	2,736	1,818	266	35	75	3
44 Loans for purchasing or carrying securities (secured and unsecured)	11,032	75	9,995	75	212	0	78	0
45 All other loans	5,847	111	4,190	94	444	0	721	0
46 Lease financing receivables (net of unearned income)	345	0	294	0	0	0	52	0
47 U.S. addressees (domicile)	341	0	289	0	0	0	52	0
48 Non-U.S. addressees (domicile)	4	0	4	0	0	0	0	0
49 Trading assets	70,837	242	64,791	239	202	1	5,841	2
50 All other assets	34,510	2,272	28,528	1,894	3,565	183	1,774	110
51 Customers' liabilities on acceptances outstanding	9,506	n.a.	6,435	n.a.	2,392	n.a.	469	n.a.
52 U.S. addressees (domicile)	6,995	n.a.	4,421	n.a.	2,198	n.a.	275	n.a.
53 Non-U.S. addressees (domicile)	2,511	n.a.	2,014	n.a.	193	n.a.	194	n.a.
54 Other assets including other claims on nonrelated parties	25,003	2,272	22,093	1,894	1,173	183	1,305	110
55 Net due from related depository institutions[5]	136,224	141,121	117,008	117,388	3,684	11,272	8,282	8,563
56 Net due from head office and other related depository institutions[5]	136,224	n.a.	117,008	n.a.	3,684	n.a.	8,282	n.a.
57 Net due from establishing entity, head office, and other related depository institutions[5]	n.a.	141,121	n.a.	117,388	n.a.	11,272	n.a.	8,563
58 **Total liabilities**[4]	**907,189**	**285,366**	**720,618**	**236,358**	**63,746**	**19,985**	**75,018**	**17,760**
59 Liabilities to nonrelated parties	756,062	252,820	651,532	213,810	35,948	18,123	47,141	13,112

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1997[1]—Continued

Millions of dollars except as noted

Item	All states[2] Total excluding IBFs[3]	All states[2] IBFs only[3]	New York Total excluding IBFs	New York IBFs only	California Total excluding IBFs	California IBFs only	Illinois Total excluding IBFs	Illinois IBFs only
60 Total deposits and credit balances	260,876	189,733	229,504	175,711	5,890	2,527	14,802	5,975
61 Individuals, partnerships, and corporations	197,744	12,948	171,203	8,472	4,179	613	13,056	104
62 U.S. addressees (domicile)	183,217	354	163,671	349	2,100	2	12,420	0
63 Non-U.S. addressees (domicile)	14,527	12,594	7,532	8,123	2,080	611	636	104
64 Commercial banks in United States (including IBFs)	33,543	40,197	30,488	38,686	700	527	1,348	884
65 U.S. branches and agencies of other foreign banks	18,632	37,056	17,304	35,749	400	471	627	760
66 Other commercial banks in United States	14,911	3,141	13,185	2,936	301	56	721	124
67 Banks in foreign countries	11,342	94,358	10,068	89,671	770	794	346	2,823
68 Foreign branches of U.S. banks	1,912	4,964	1,269	4,459	547	143	95	363
69 Other banks in foreign countries	9,430	89,394	8,800	85,212	223	652	251	2,460
70 Foreign governments and official institutions (including foreign central banks)	5,688	42,108	5,294	38,762	212	592	3	2,163
71 All other deposits and credit balances	12,230	122	12,164	121	11	0	43	1
72 Certified and official checks	330		287		18		7	
73 Transaction accounts and credit balances (excluding IBFs)	10,125		8,333		422		337	
74 Individuals, partnerships, and corporations	8,053		6,555		362		325	
75 U.S. addressees (domicile)	5,767		5,139		212		321	
76 Non-U.S. addressees (domicile)	2,286		1,415		151		4	
77 Commercial banks in United States (including IBFs)	76		71		1		0	
78 U.S. branches and agencies of other foreign banks	6		5		0		0	
79 Other commercial banks in United States	70		67		1		0	
80 Banks in foreign countries	1,134		975		26		2	
81 Foreign branches of U.S. banks	3		2		0		0	
82 Other banks in foreign countries	1,131		972		26		2	
83 Foreign governments and official institutions (including foreign central banks)	396		324		3		3	
84 All other deposits and credit balances	137		121		11		1	
85 Certified and official checks	330		287		18		7	
86 Demand deposits (included in transaction accounts and credit balances)	9,593		8,055		364		326	
87 Individuals, partnerships, and corporations	7,672		6,411		316		313	
88 U.S. addressees (domicile)	5,641		5,070		180		309	
89 Non-U.S. addressees (domicile)	2,031		1,341		136		4	
90 Commercial banks in United States (including IBFs)	69		65		0		0	
91 U.S. branches and agencies of other foreign banks	6	n.a.	5	n.a.	0	n.a.	0	n.a.
92 Other commercial banks in United States	63		60		0		0	
93 Banks in foreign countries	1,059		902		25		2	
94 Foreign branches of U.S. banks	3		2		0		0	
95 Other banks in foreign countries	1,056		899		25		2	
96 Foreign governments and official institutions (including foreign central banks)	371		305		3		3	
97 All other deposits and credit balances	92		86		2		1	
98 Certified and official checks	330		287		18		7	
99 Nontransaction accounts (including MMDAs, excluding IBFs)	250,751		221,170		5,468		14,464	
100 Individuals, partnerships, and corporations	189,691		164,648		3,817		12,731	
101 U.S. addressees (domicile)	177,450		158,532		1,888		12,099	
102 Non-U.S. addressees (domicile)	12,241		6,116		1,929		632	
103 Commercial banks in United States (including IBFs)	33,467		30,417		699		1,347	
104 U.S. branches and agencies of other foreign banks	18,625		17,299		400		627	
105 Other commercial banks in United States	14,841		13,118		299		720	
106 Banks in foreign countries	10,208		9,094		744		343	
107 Foreign branches of U.S. banks	1,908		1,266		547		95	
108 Other banks in foreign countries	8,299		7,827		197		248	
109 Foreign governments and official institutions (including foreign central banks)	5,292		4,969		209		0	
110 All other deposits and credit balances	12,093		12,042		0		42	
111 IBF deposit liabilities		189,733		175,711		2,527		5,975
112 Individuals, partnerships, and corporations		12,948		8,472		613		104
113 U.S. addressees (domicile)		354		349		2		0
114 Non-U.S. addressees (domicile)		12,594		8,123		611		104
115 Commercial banks in United States (including IBFs)		40,197		38,686		527		884
116 U.S. branches and agencies of other foreign banks		37,056		35,749		471		760
117 Other commercial banks in United States	n.a.	3,141	n.a.	2,936	n.a.	56	n.a.	124
118 Banks in foreign countries		94,358		89,671		794		2,823
119 Foreign branches of U.S. banks		4,964		4,459		143		363
120 Other banks in foreign countries		89,394		85,212		652		2,460
121 Foreign governments and official institutions (including foreign central banks)		42,108		38,762		592		2,163
122 All other deposits and credit balances		122		121		0		1

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1997[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
123 Federal funds purchased and securities sold under agreements to repurchase	106,905	18,562	94,596	14,448	4,442	2,582	7,419	1,324
124 U.S. branches and agencies of other foreign banks	15,195	4,694	11,923	2,760	1,713	1,110	1,366	704
125 Other commercial banks in United States	12,840	280	10,770	187	1,200	92	812	0
126 Other	78,870	13,588	71,903	11,502	1,529	1,380	5,242	620
127 Other borrowed money	107,041	41,704	69,157	21,119	19,744	12,862	13,849	5,726
128 Owed to nonrelated commercial banks in United States (including IBFs)	23,572	10,006	12,480	4,152	7,610	3,983	1,935	1,275
129 Owed to U.S. offices of nonrelated U.S. banks	8,245	1,332	5,182	544	2,372	687	205	27
130 Owed to U.S. branches and agencies of nonrelated foreign banks	15,327	8,674	7,298	3,607	5,238	3,296	1,729	1,248
131 Owed to nonrelated banks in foreign countries	29,864	27,015	16,227	13,649	8,501	8,333	4,122	4,104
132 Owed to foreign branches of nonrelated U.S. banks	1,766	1,584	834	676	701	689	169	169
133 Owed to foreign offices of nonrelated foreign banks	28,098	25,431	15,393	12,973	7,799	7,644	3,952	3,935
134 Owed to others	53,605	4,682	40,450	3,319	3,633	545	7,793	346
135 All other liabilities	91,506	2,821	82,564	2,531	3,345	152	5,095	88
136 Branch or agency liability on acceptances executed and outstanding	10,008	n.a	6,901	n.a.	2,398	n.a.	470	n.a.
137 Trading liabilities	59,712	127	55,939	124	175	1	3,593	1
138 Other liabilities to nonrelated parties	21,787	2,694	19,725	2,406	772	151	1,032	86
139 Net due to related depository institutions[5]	151,127	32,545	69,087	22,548	27,798	1,862	27,877	4,647
140 Net due to head office and other related depository institutions[5]	151,127	n.a.	69,087	n.a.	27,798	n.a.	27,877	n.a.
141 Net due to establishing entity, head office, and other related depository institutions[5]	n.a.	32,545	n.a.	22,548	n.a.	1,862	n.a.	4,647
MEMO								
142 Non-interest-bearing balances with commercial banks in United States	1,087	0	832	0	112	0	70	0
143 Holding of own acceptances included in commercial and industrial loans	4,376		3,067		1,084		107	
144 Commercial and industrial loans with remaining maturity of one year or less (excluding those in nonaccrual status)	127,177		75,287		19,282		18,631	
145 Predetermined interest rates	76,948		47,130		10,191		13,978	
146 Floating interest rates	50,229	n.a.	28,157	n.a.	9,091	n.a.	4,653	n.a.
147 Commercial and industrial loans with remaining maturity of more than one year (excluding those in nonaccrual status)	101,542		60,847		14,263		13,438	
148 Predetermined interest rates	22,122		14,900		2,308		3,680	
149 Floating interest rates	79,420		45,947		11,954		9,758	

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1997[1]—Continued

Millions of dollars except as noted

Item	All states[2] Total excluding IBFs[3]	All states[2] IBFs only[3]	New York Total excluding IBFs	New York IBFs only	California Total excluding IBFs	California IBFs only	Illinois Total excluding IBFs	Illinois IBFs only
150 Components of total nontransaction accounts, included in total deposits and credit balances of nontransaction accounts, excluding IBFs	244,292	n.a.	217,405	n.a.	3,471	n.a.	14,557	n.a.
151 Time deposits of $100,000 or more	237,904	n.a.	212,041	n.a.	3,359	n.a.	14,021	n.a.
152 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	6,388	n.a.	5,364	n.a.	112	n.a.	537	n.a.
	All states[2] Total including IBFs	**All states[2] IBFs only**	**New York Total including IBFs**	**New York IBFs only**	**California Total including IBFs**	**California IBFs only**	**Illinois Total including IBFs**	**Illinois IBFs only**
153 Immediately available funds with a maturity greater than one day included in other borrowed money	58,143	n.a.	34,235	n.a	16,444	n.a.	4,729	n.a.
154 Number of reports filed[6]	475	0	241	0	101	0	38	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 monthly statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate international banking facilities (IBFs). Since December 31, 1985, data for IBFs have been reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data have been reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 monthly statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. Related depository institutions includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

Index to Statistical Tables

References are to pages A3–A75 although the prefix "A" is omitted in this index

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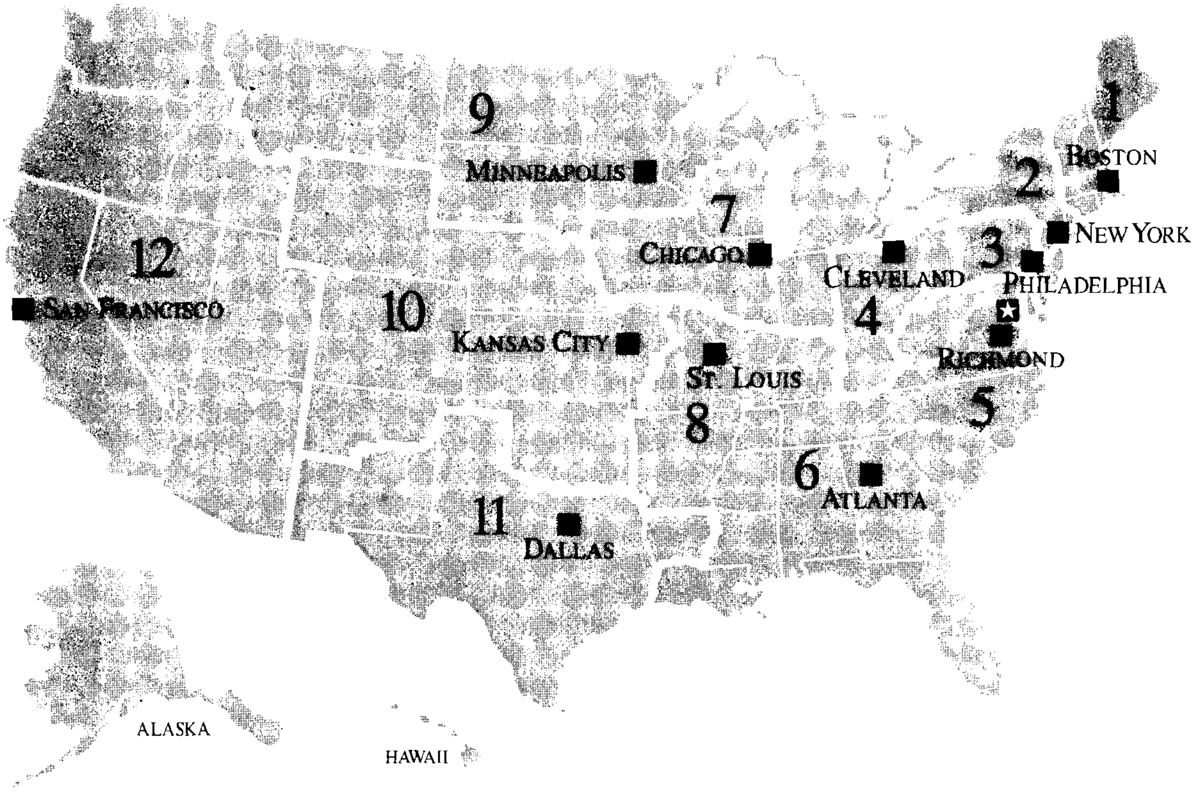

LEGEND

Both pages

■ Federal Reserve Bank city

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Facing page

• Federal Reserve Branch city

— Branch boundary

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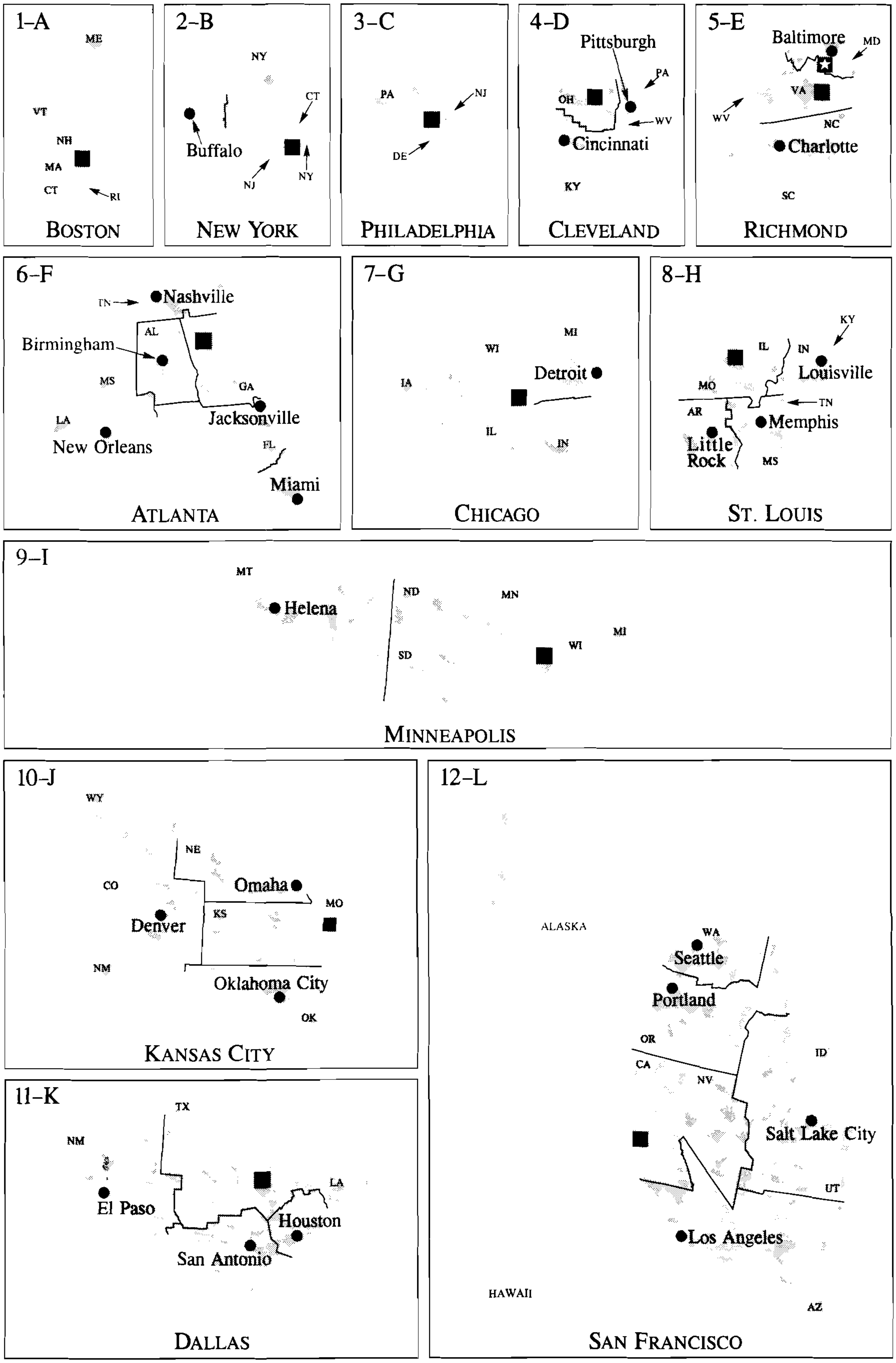
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