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FEDERAL RESERVE BULLETIN

Consumption and Fixed Investment in Economic Recovery Abroad

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Consumption and Fixed Investment in the Economic Recovery Abroad

This article was prepared by David H. Howard and Raymond Lubitz of the World Payments and Economic Activity Section, Division of International Finance.

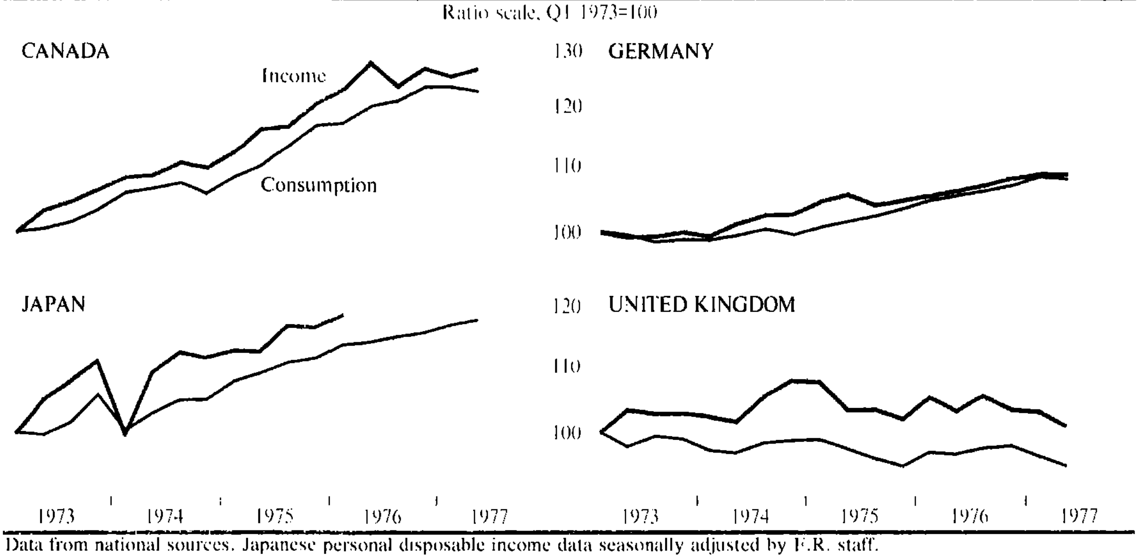
Economic activity in most of the major foreign industrial countries is recovering from the 1974–75 recession, although the recovery has been hesitant and somewhat sluggish. Unemployment rates are still high—and indeed are rising in some countries—and in all but a few of the major countries industrial production remains below its pre-recession peaks. In addition, rates of wage and price inflation remain high.

Contributing to the lack of a strong and sustained economic recovery abroad has been the behavior of personal consumption and of fixed nonresidential investment expenditures. In this article, only these two major components of aggregate demand will be discussed. Personal consumption is important not only because it is the largest component of aggregate demand but also because personal saving rates have been exceptionally high in recent years, thus dampening consumption expenditures during the present recovery period. Fixed nonresidential investment has been lagging more than it had in some past cycles. Investment expenditures typically are more volatile than consumption expenditures and play a key role in business-cycle behavior. Moreover, since investment creates future productive capacity, the rate of investment in an economy has an importance beyond its role as a component of aggregate demand.

PERSONAL CONSUMPTION

Recent rates of growth in real personal consumption in the major foreign industrial countries are shown in Table 1. Of these countries, only Canada, which is not a net oil importer,

1. Real personal consumption and disposable income



Data from national sources. Japanese personal disposable income data seasonally adjusted by F.R. staff.

1. Rates of growth of real personal consumption

Percentage change from previous period, seasonally adjusted annual rate

Country	Annual average, 1960–72	1973	1974	1975	1976	1975		1976		1977
						H1	H2	H1	H2	H1
Canada	4.9	6.8	5.0	6.7	6.1	5.1	10.6	6.4	6.3	1.1
France	[1]5.4	5.5	2.2	3.1	4.9	2.8	9.0	2.3	3.5	[2]0.8
Germany	4.9	2.5	0.3	2.5	3.6	2.4	3.5	4.2	2.7	3.0
Italy	5.6	5.9	2.5	−1.4	3.2	−3.0	5.8	1.6	4.1	[2]−8.1
Japan	8.9	8.3	1.4	6.1	4.4	6.7	4.7	5.3	2.3	3.7
United Kingdom	2.7	4.5	−1.1	−0.9	0.4	−0.6	−5.3	2.8	1.7	−3.9

[1] 1962–72.

[2] Based on change between the fourth quarter of 1976 and the first quarter of 1977.

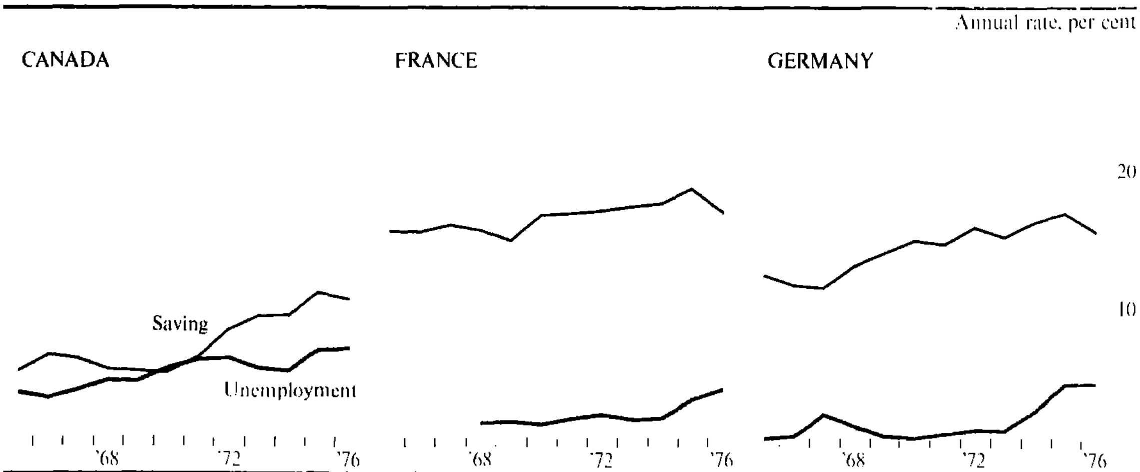
NOTE.—Data from national sources; the Italian data were seasonally adjusted by F.R. staff. The French annual and semiannual data are not necessarily consistent due to revisions in the former series not yet reflected in the latter.

did not experience a sharp cutback in consumption growth in 1974 following the increase in the price of oil. Although consumption has recovered somewhat since 1974 in most of the countries—the United Kingdom being the exception—the latest data available indicate that some weakening occurred in the first half of this year.

To a large extent, movements in personal consumption are determined by movements in personal disposable income, and the pattern in consumption, therefore, can be attributed in part to the depressing effect of the oil-price increase on real incomes. However, households determine how much of their disposable income is spent on consumption and how much is saved; that is, they determine the personal saving rate—the ratio of personal saving to personal disposable income. Thus, along with movements in personal disposable income, factors that influence the saving rate are important for determining the level of consumption expenditures.

Indexes of real personal consumption and real personal disposable income for Canada, Germany, Japan, and the United Kingdom are plotted in Chart 1. Two features stand out: the strong relationship between movements in income and consumption, and the fact that consumption appears to move more smoothly than income over time—perhaps because the household sector takes into account some notion of its normal income when making consumption plans. For example, in the first

2. Personal saving, inflation, and unemployment



The annual inflation rate is measured as fourth quarter over fourth quarter of previous year.

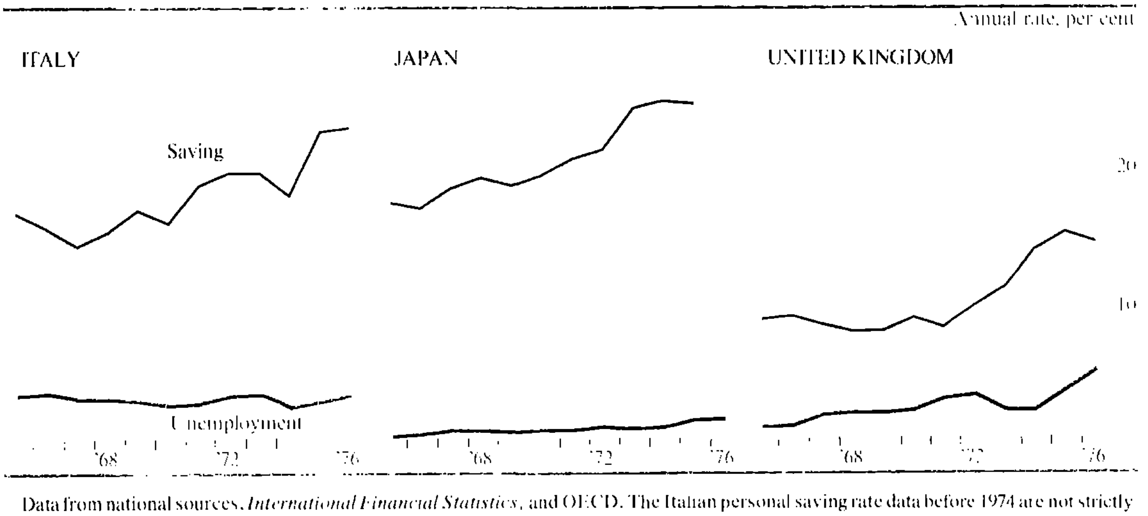
quarter of 1974 Japanese consumers did not adjust their consumption by as much as their income fell because at least some of the income decline may have been viewed as temporary.

The four countries have experienced differing consumption patterns. In Canada, where activity was less affected by the oil-price increase, consumption has increased rather steadily since 1973, broadly in line with disposable income. In Germany real consumption and disposable income were flat in 1973 after the first quarter, in part because of increases in personal income taxes early in the year. Although income began to recover in 1974, consumption did not resume its growth until 1975. In the first quarter of 1974 following the oil-price increase, Japan experienced a sharp drop in disposable income and consumption—attributable to production cutbacks and to a sharp increase in prices—but both rebounded quickly. In sharp contrast to the experience in these three countries, consumption in the United Kingdom has been more or less flat or even declining since 1973, although the decline is exaggerated by the high level of consumption in the first quarter of 1973 in anticipation of the introduction of a sales tax. Personal disposable income in the United Kingdom also has been flat or declining, except for a temporary bulge in late 1974 and early 1975.

The course of personal income taxation has had an important influence on personal disposable income and hence on personal consumption. For example, in the United Kingdom tax rebates were mainly responsible for the increase in disposable income in the third quarter of 1976. In Germany the reduction in income tax rates and the increase in personal exemptions that became effective at the beginning of 1975 contributed to an upturn in personal disposable income and thus affected consumption.

Deliberate tax changes are not the only channel through which taxes influence personal disposable income, however. Inflation raises the money value of income, and if the tax system is progressive but is not indexed to take into account the effects of inflation, effective tax rates will rise. In Canada the income tax system has been indexed since January 1, 1974, but in the other countries discussed in this article, inflation's tax-raising effect has inhibited growth in real personal disposable incomes and in personal consumption. In some countries—for example, Japan and France—this effect has been at least partially offset from time to time by tax reductions. In addition, government transfer payments have helped to sustain personal incomes and consumption in the face of high unemployment.

The faster rise of income compared with consumption shown in Chart 1 indicates a rise



Data from national sources, *International Financial Statistics*, and OECD. The Italian personal saving rate data before 1974 are not strictly comparable with later data.

in the personal saving rate. In all four countries, personal saving rates have increased since the first quarter of 1973. The increase, partly reversed in recent quarters, remains substantial in Canada, Japan, and the United Kingdom, although, again, comparison with the first quarter of 1973 is somewhat misleading for the United Kingdom.

One possible explanation for the increase in saving rates may be the increase in the rates of inflation experienced during recent years. Inflation can be expected to increase the rate of saving in two important ways. First, it reduces the real value of the household sector's financial assets, such as savings deposits, that are fixed in money value. In order to restore the real value of their holdings of these assets, consumers cut down on their consumption-expenditure plans and increase their saving. Second, it has been argued that inflation creates a feeling of uncertainty and pessimism about the future that leads consumers to save a greater proportion of their income. On the other hand, by increasing the expected rate of return on real assets—including stocks of consumer goods—relative to that on assets fixed in money value, expectations of inflation actually might encourage consumption expenditures. In any event, the data from the six major foreign industrial countries shown in Chart 2 are broadly consistent with a net positive relationship between inflation and personal saving rates.

Theoretical arguments suggest that unemployment can have either a positive or a negative effect on the personal saving rate. Since periods of unemployment usually represent temporary shortfalls in income, the unemployed can be expected to finance some consumption out of past savings accumulated for just such a situation; thus the aggregate saving rate would decline. However, unemployment, and particularly increasing unemployment, can be expected to create uncertainty about the future and to increase precautionary saving on the part of those still holding jobs, thereby raising the aggregate saving rate. The data are consistent with the view that the latter effect has been dominant in recent years. Thus, Chart 2 points out the increase in personal saving rates during the 1970's in all six countries, and the apparent relationship between the increases in saving rates and the increases in the rates of inflation and unemployment.

Another factor that influences the household sector's consumption is its net wealth. As already mentioned, inflation affects one part of household wealth by eroding the real value of (net) assets fixed in nominal value. Weakness in equity values—another important component of household wealth—also has tended to discourage consumption. The high nominal rates of interest prevailing in recent years also may have contributed to the increased personal saving rates, by depressing the value of bonds held by the household sector and perhaps by increasing the expected real rate of return on saving. However, the latter effect cannot readily be detected because of the difficulties involved in measuring inflation expectations and thus the real rate of return.

Finally, there are special factors in each country that have influenced the behavior of personal consumption expenditures. In the United Kingdom, for example, controls on wages since the third quarter of 1975 probably have dampened the growth of personal disposable income. In Italy the wage-indexation scheme (the *scala mobile*) probably has kept nominal personal income higher than it would otherwise have been and may have also boosted real personal income.

In summary, personal consumption expenditures in the major foreign industrial countries have been influenced by the behavior of personal disposable income and probably by the relatively high rates of inflation and unemployment that have been experienced abroad. These last two factors may have contributed to the exceptionally high personal saving rates that have persisted during the 1970's. These high saving rates have tended to restrain personal consumption demand and the economic recovery abroad. The combination of exceptionally high rates of personal saving, inflation, and unemployment has made the present cycle unique and has complicated greatly the current recovery process as compared with that in previous postwar cycles.

2. Real gross fixed investment

Annual data, percentage change from preceding year.

Category, by country	Annual average, 1960–73	1974	1975	1976
Canada—Total	**5.8**	**5.5**	**3.9**	**0.8**
Residential construction	8.1	–0.4	–6.7	17.6
Nonresidential fixed investment	5.6	7.4	7.1	–3.6
Nonresidential construction	4.3	7.6	13.5	–6.4
Machinery and equipment	7.7	8.2	3.4	–0.4
France—Total	**n.a.**	**0.9**	**–3.4**	4.5
Residential construction	n.a.	5.0	–3.8	1.4[e]
Nonresidential fixed investment	n.a.	–0.7	–3.2	5.8[e]
Germany—Total	**4.5**	**–9.9**	**–4.2**	**5.1**
Residential construction	3.4	–16.8	–10.4	6.7
Nonresidential fixed investment	5.2	–7.0	–1.8	4.5
Nonresidential construction	4.2	–3.2	–4.2	1.4
Machinery and equipment	5.5	–10.2	0.4	7.3
Italy—Total	**5.5**	**3.5**	**–13.0**	**2.3**
Residential construction	n.a.	2.7	–10.9	–1.2
Nonresidential fixed investment	n.a.	3.9	–13.8	3.7
Nonresidential construction	n.a.	–0.2	–5.6	–1.1
Machinery and equipment	6.4	6.6	–18.9	7.2
Japan—Total	**14.1**	**–10.2**	**–2.8**	**4.5**
Residential construction (private)	14.9	–12.8	7.2	10.4
Nonresidential fixed investment (private)	14.5	–10.8	–13.1	2.1
Public investment	13.8	–6.7	11.1	4.3
United Kingdom—Total	**4.5**	**–1.9**	**–1.2**	**–4.1**
Residential construction	4.0	–3.2	6.8	–1.0
Nonresidential fixed investment	4.6	–1.6	–2.8	–4.8
Nonresidential construction	4.1	–1.1	4.3	–8.8
Machinery and equipment	5.0	–1.9	–7.5	–1.8

NOTE.—Data from national sources and OECD national accounts statistics. Canada—total fixed investment and nonresidential fixed investment are public and private, other items, private (including government enterprises); France—public and private; Germany—all items are public and private except residential construction, private only; Italy—public and private; Japan—total, public and private, others as indicated, with government enterprises in public, data prior to 1970 are partially estimated by F.R. staff; United Kingdom—public and private.
n.a.—Not available. [e]Estimated.

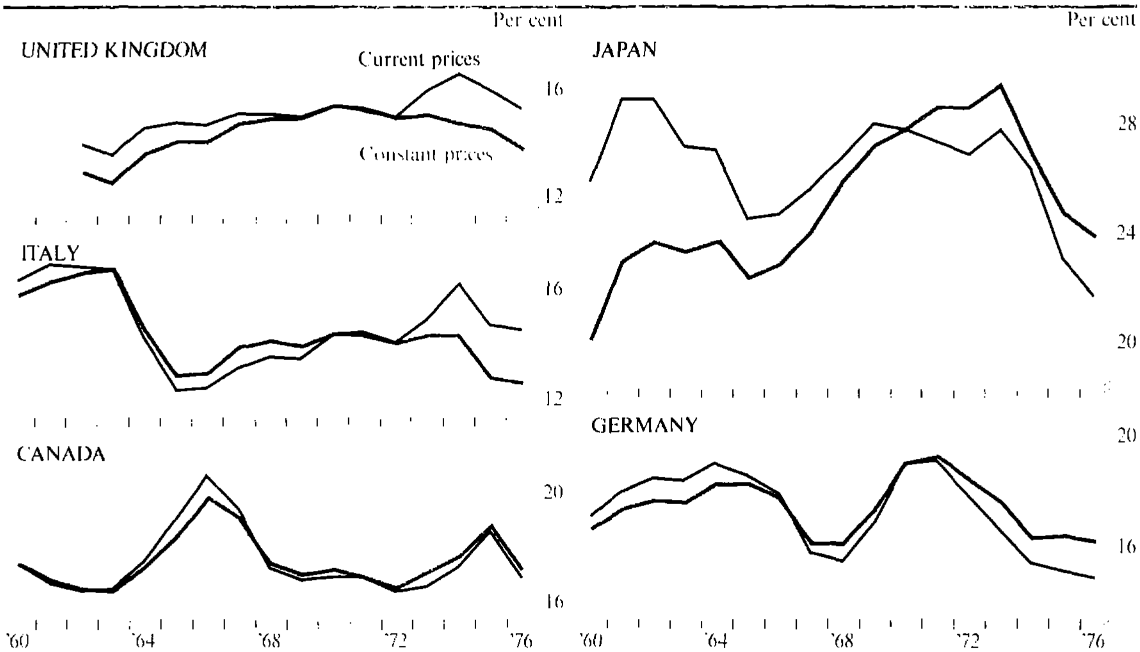
FIXED INVESTMENT

Total real fixed investment generally increased in the major industrial countries in 1976 except for the United Kingdom, where it declined for a third consecutive year, and Canada, where it was flat after having risen for 2 years (Table 2). Nonresidential fixed investment—the focus of this discussion—has in general followed a similar path. The pace of recovery has been slower than in previous cyclical upswings, and the 1976 rate of nonresidential fixed investment (public and private) was still generally below its 1973 levels—by 4.6 per cent in Germany, 7.2 per cent in Italy, and 9.0 per cent in the United Kingdom. Private investment in Japan in 1976 was 20.1 per cent below its 1973 level; in France total nonresidential investment in 1976 was 1.7 per cent higher than in 1973 because public investment (excluding nationalized enterprises) rose over 6 per cent, more than offsetting a 1.4 per cent decline in private investment (including nationalized enterprises).

Fixed investment rose in the first half of 1977 in Japan, Germany, Italy, and Canada and continued to decline in the United Kingdom. The annual rate of increase (1977 H1 compared with 1976 H2) of total fixed investment in Germany was nearly 4 per cent and was more than 7 per cent in Italy. In Japan private nonresidential fixed investment rose 5½ per cent and in Canada total nonresidential investment increased by more than 7 per cent. In the United Kingdom total fixed investment fell at an annual rate of more than 13 per cent.

A striking indicator of investment weakness has been the widespread fall since the early

3. Nonresidential fixed investment as per cent of GNP



Data from national sources, OECD national accounts, and F.R. staff estimates. Gross domestic product (GDP) for Italy and United Kingdom. Data for Italy before 1970 are not strictly comparable with later data. Data for Japan for 1976 are partially estimated. Constant price series are on 1970 base except 1971 for Canada.

1970's in the ratio of nonresidential fixed investment to gross national product, as shown in Chart 3. This ratio (measured in constant prices) fell from a peak of more than 29 per cent in 1973 in Japan to about 24 per cent in 1976—the most prolonged decline in this ratio since 1960; the German ratio (also in constant prices) dropped from 18.5 per cent in 1972 to about 16 per cent in 1976.

The 1976 investment ratios in Japan and Germany also are weak in terms of a longer-term comparison—the 1965–73 average level for the ratio was 26.3 per cent in Japan and 17.8 per cent in Germany. The Italian and British ratios also have been weak recently; the French investment ratios (not shown in Chart 3 because of a lack of data prior to 1970 consistent with more recent data) have displayed less weakness.

Movements in the investment ratio differ when measured in constant and current prices. Because the price of capital goods generally has fallen relative to the GNP deflator—since the price of services, included in GNP, has risen relative to the price of manufactured goods—the investment ratio expressed in current prices has fallen relative to that in constant prices. This pattern is most clearly evident in Germany and Japan.

A fall in the investment ratio is a normal concomitant of weak economic activity and in itself, unless prolonged, is not a matter of serious concern. In the normal course of economic growth, capital accumulation will rise above and fall below trend rates, and shortfalls of capital in periods of recession tend to be made up during upswings. However, lower investment will even in the short run reduce aggregate demand, and a permanently lowered investment ratio will lead in the longer run to slower growth of the capital stock. If the rate of capital accumulation falls and if capital-labor ratios do not decline, the growth of employment will also slow. If labor markets adjusted smoothly, real wages would fall, encouraging more labor-intensive methods of production and allowing a greater growth of labor demand for a given growth of capital.

However, such real wage adjustments, even relative to productivity growth stemming from technological advances, may occur only with difficulty.

INVESTMENT DEMAND

The influences acting on investment behavior reflect both the incentives to invest and the cost and availability of funds for investment. On the investment-demand side one might categorize the forces at work as follows: (1) the rate of return or profitability of investment; (2) higher capital requirements; (3) the effects of the degree of capacity utilization; and (4) the uncertainty pertaining to the rate of return.

PROFITABILITY

Although reliable data on rates of profit on capital are not available for most foreign countries, there are some indications from data on profit shares and labor costs that there was a general cyclical decline in profitability during the 1970's. This decline was slightly reversed in 1976 although the data on shares suggest that the level of profitability prevailing in 1970 has not been regained. These share data must be used cautiously because, among other reasons, movements in profit shares do not translate directly into movements in profit rates unless capital-output ratios are constant.

Also, recorded data may recently have overstated profitability because of the failure to adequately account for inflation. Under accounting procedures used by many firms, the increase in the value of inventories may be improperly counted as profits. Moreover, depreciation allowances often are based on historical rather than replacement costs of plant and equipment. Since corporate taxes are often based on accounting profits uncorrected for inflation, real after-tax profits may be reduced by inflation. Also, if firms do not adequately account for inflation, dividend payouts may be higher than desired if a truer profit picture were available. Consequently, real resources available for investment may be reduced by the interaction of inflation and generally used accounting procedures.

With these cautions in mind, there does seem to be a clear pattern for all the major industrial economies—except Canada—of falling shares of profits (or property income) and rising shares of labor income during 1970–75, with a reversal in most cases in 1976. Thus, in Germany gross property income fell as a share of gross value added in the private-enterprise sector from more than 32 per cent in 1970 to 29 per cent in 1975; in the United Kingdom the gross profit share in the corporate sector fell from 20 per cent in 1970 to nearly 14 per cent in 1975. In both countries, data for shares in the corporate sector are not available for 1976, but other data from the national accounts indicate a reversal of the trend in 1976. In France gross operating surplus fell as a share of corporate value added from nearly 29 per cent in 1970 to 24 per cent in 1975 before rising to 25 per cent in 1976. Only aggregate national accounts data are available for Japan and Italy, but they indicate a similar pattern: in Japan income of private corporations plus interest payments fell as a share of national income from more than 20 per cent in 1970 to more than 15 per cent in 1975 before rising in the first quarter of 1976. In Italy net property and business income fell from more than 40 per cent of national income in 1970 to 30 per cent in 1975.

A further indication of a shift toward wages from profits comes from data on unit labor costs and manufacturing selling prices. During 1970–75 unit labor costs rose faster than selling prices in all of the major industrial countries except Canada. In 1976 unit labor costs for manufacturing either fell or rose less rapidly than selling prices.

A reduction in the profitability of investment resulting from higher real wages will lower the desired amount of productive capacity (determined by labor and other inputs as well as capital). However, raising the cost of labor relative to capital will increase the capital-intensity of production and thereby may lead to higher investment levels. The direction of the effect on investment of an increase in the real wage is thus ambiguous. However, even if the effect of an increase in real wages on investment is positive, it will be associated with lower levels of employment.

Higher Capital Requirements

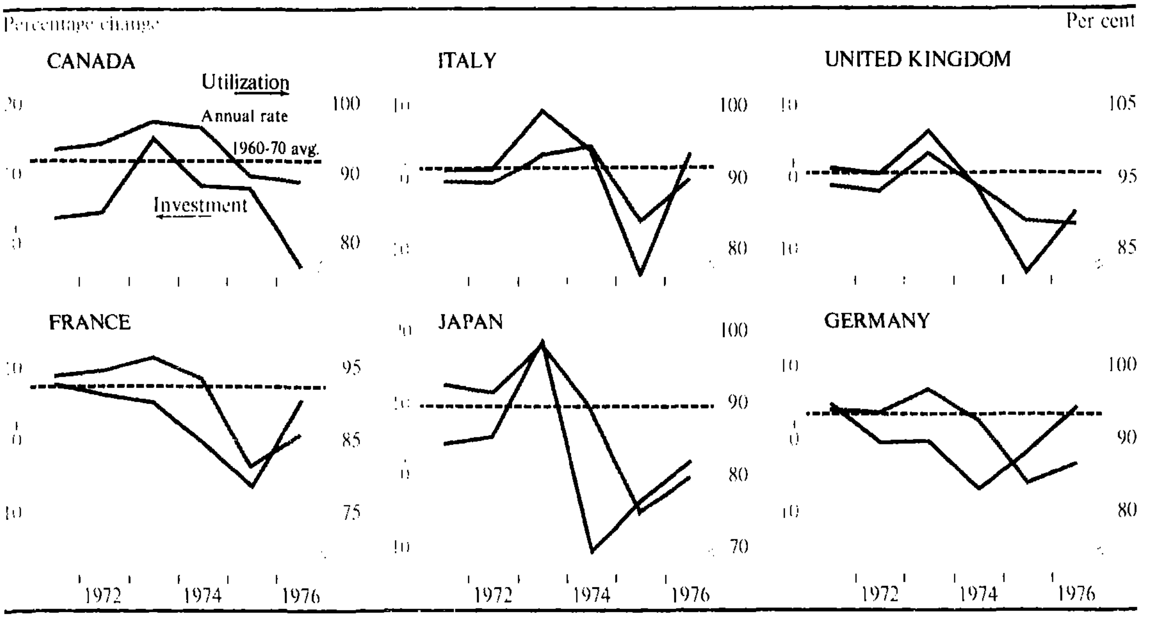
There has been a good deal of discussion in the past few years suggesting that the industrial economies face higher capital requirements—that is, more capital is needed to produce a given amount of final output. These higher capital requirements arise *inter alia* from environmental regulations requiring capital spending on pollution control and from the increase in energy prices, causing a shift toward more capital-intensive technology. At the same time, the political objective of greater energy self-sufficiency will require more investment in the capital-intensive energy sector. Also, the sharp shift in relative factor prices, it is conjectured, has increased the rate of obsolescence in energy-intensive industries and therefore has raised the rate of capital scrapping.

Little quantitative work on this question has been done outside the United States. The results of a study, published in the 1976 Annual Report of the Council of Economic Advisers, tentatively suggest that if "the legal, technological and energy-related factors that raise capital requirements" are allowed for, the ratio of business fixed investment to GNP over the period 1971–80 would rise from the 9.9 per cent—that would otherwise have been needed to meet a specified full employment output in 1980—to 11.4 per cent. Higher capital requirements, defined as greater capital needs per unit of output, do not imply that investment ratios will rise in proportion to the greater requirements. Since higher capital requirements imply higher capital-output ratios and a shift in the demand for capital, some substitution toward less capital-intensive techniques and output might take place.

Capacity Utilization

The factor that is perhaps most frequently advanced to explain the weakness of invest-

4. Nonresidential fixed investment and capacity utilization



Capacity utilization index from Wharton Economic Forecasting Associates; Germany, Japan, France, and Canada—private nonresidential fixed investment which includes government enterprises except for Japan; Italy and United Kingdom—public and private.

ment is the historically low levels of capacity utilization. Capacity utilization indexes have been subject to a great deal of criticism, and the various methods used to construct them—statistical production functions, the fitting of trends to output peaks, or survey data—all have drawbacks. In addition, as noted, factor-price increases, especially relative increases in the price of energy, may have reduced capacity by accelerating capital scrapping. Thus capacity indexes may overstate the true margin of excess capacity. Indeed, as pointed out in the "McCracken Report" to the Organization for Economic Cooperation and Development (OECD), *Towards Full Employment and Price Stability*, there seems to be a growing divergence between "judgmental" and "nonjudgmental" estimates of capacity; the former, presumably reflecting business estimates of increased obsolescence, shows progressively smaller estimates relative to the latter. However, these data should be treated with caution since judgmental estimates of capacity in general tend to fall more than nonjudgmental estimates during recessions, and the depressed economic activity of the past few years may have produced this result.

Despite the caution one must exercise in using these indexes, there is still a similarity in the movements of different capacity utilization indexes in the major foreign OECD countries. Investment might be expected to respond to capacity pressures with a lag, but in Chart 4, which contains annual data, investment behavior does rather closely parallel the movement in capacity utilization as measured by the index published by Wharton Economic Forecasting Associates. Thus, in 1975 nonresidential fixed investment fell in all the major foreign industrial economies while capacity utilization also fell that year (and generally in 1974 as well); in 1976 nonresidential fixed investment rose in Japan, France, Germany, and Italy mirroring the rise in utilization. Utilization rates have been historically low, as shown in Chart 4. This reflects the over-all weakness of recovery; only in Germany and Canada did industrial production exceed previous peaks in mid-1977 and in those countries by less than 2 per cent.

Uncertainty

Another consideration often cited to explain investment weakness is a rise in the degree of uncertainty, although this influence is not easily measured. Greater uncertainty reflects several factors. First, because of shocks to the economic system since 1973, there is a lack of confidence in the sustainability and strength of economic growth. For example, a recent survey of German firms indicated that future growth is expected to be significantly lower than previous German experience. Second, there may be uncertainty over future relative factor prices—particularly for energy and labor—that will affect the expected profitability of different production techniques.

Third, the rate of inflation may—as in the case of consumption—be acting to reduce investment, although it conventionally has been thought that inflation would stimulate the acquisition of real assets. Higher rates of inflation might increase the variance of expected returns from investment if the variance of selling prices and costs is increased; in turn this may lower investment. Finally, economic policy may be more restrictive because of high inflation and will probably be more unpredictable in an environment of stagnation and inflation.

Financing Investment

The forces continuing to depress investment do not seem in general to arise from financing difficulties, although such difficulties may have existed earlier and some financial constraints on investment may still be significant in a few countries.

Internal funds available for investment depend in significant part on the profits earned by business; the total volume of profits is related to profitability and the level of economic activity. In 1975 a low level of total profits may have inhibited investment, but profitability and economic activity generally recovered in 1976, and profits have recovered as well. Similarly, businesses faced severe liquidity problems in 1974, but since then, according to the OECD, balance-sheet restructuring appears to have taken place. OECD calculations (*Economic Outlook*, July 1977) indicate that liquidity positions have improved since 1974. For example, there have been substantial increases in the ratio of internal funds to total capital outlays in Japan, Germany, France, and the United Kingdom; reductions in the ratio of short-term debt to total debt in Japan, Germany, and the United Kingdom; and increases in the ratio of liquid assets to short-term debt in Germany, France, and the United Kingdom.

The cost of capital, as indicated by nominal interest rates and dividend-price ratios for equities, has declined since 1974 in most of the major countries, reinforcing the view that financing is not a major constraint on capital formation. Although nominal long-term interest rates are still quite high, they have fallen in Japan and Germany since 1974, in Canada since 1975, and in the United Kingdom since 1976. The German rate declined from more than 10 per cent in 1974 to less than 6 per cent currently. In France rates fell from 1974 to early last year but have risen since; in Italy long-term rates climbed from 1973 until mid-1977. Since the decline in nominal interest rates in part reflects a decline in inflation expectations, expected real rates of interest may not have fallen. But, expected real rates do not appear high given inflation expectations and mid-1977 nominal interest rates in the 6 to 8 per cent range in Germany, Japan, and Canada, and 10 to 14 per cent range in France, the United Kingdom, and Italy. However, high nominal interest rates—even if expected real rates are low—may discourage investment by imposing cash-flow problems in the early stages of an investment project, before returns are forthcoming.

The cost of equity capital, as measured by available dividend-price ratios, also has declined since 1974. These ratios had peaked at the end of 1974 in Canada, Japan, Germany, France, and the United Kingdom, and in mid-1977 were below those levels, although in Canada, Germany, and France the ratios have risen since mid-1976. With the exception of Japan, the ratios are still higher than pre-recession levels. These movements in the dividend-price ratio to a large extent have reflected stock market movements. In Italy, according to survey data, the dividend-price ratio rose steadily from 1971–75 due to the continuing fall of equity prices and declined in 1976 because dividends fell even more sharply than equity prices.

POLICIES AFFECTING CONSUMPTION AND INVESTMENT

A wide range of policy measures can affect the behavior of consumption and investment. Many of these policies encourage one while discouraging the other. For example, an incomes policy, in which wages, profits, and prices are subject to direct government influence, can alter the distribution of income between wages and profits and thus can change the relative levels of consumption and investment spending. On the other hand, policies that encourage consumption may, by increasing pressure on productive capacity, also encourage investment.

Of the measures available to influence consumption, perhaps the most important is tax policy. Recent examples include the German and British income tax measures mentioned earlier and the Italian Government's increases in various indirect taxes and in prices for public-sector services. As an example of another way in which public policy can encourage investment and discourage consumption, the British authorities have issued guidelines that favor bank lending to industry.

In many countries, tax and credit policies are intended to encourage investment, both over all and in specific sectors and regions. In addition, investment policy can be varied for cyclical demand-management purposes. Investment can be increased directly by the public administration or by nationalized industries. For example, the German Government this year announced its Medium-term Program to Improve Infrastructure involving 16 billion marks of investment expenditure spread over several years. In Japan, among the various steps taken to increase investment is a program for larger public works expenditures;

and in France the government has increased nationalized enterprise investments in 1976 and 1977.

In addition, governments can provide incentives to the private sector—such as investment tax credits, accelerated depreciation allowances, and interest rate subsidies, all of which have the effect of either increasing the after-tax return on investment or reducing the cost of capital—as well as direct loans. Recent examples include the extension of the investment tax credits in Canada and a special investment tax credit in France, more generous accelerated depreciation allowances in France and Germany, interest rate subsidies in the United Kingdom, and government loans at subsidized rates in France. Governments also can try to influence the amount of investment at a given level of total output by choosing a mix of fiscal and monetary policy that is intended to result in an interest rate that will produce the desired level of investment.

CONCLUSION

The increases in the propensity to save in the major foreign industrial countries in recent years have lowered personal consumption expenditures relative to what they would have been, given the level of personal disposable income. In addition, investment expenditures have been slow to recover from the past recession. Thus, two of the major elements of final domestic demand have been sluggish, and investment expenditures, in particular, have recovered more slowly than in previous cycles.

The present recovery differs in character from previous recoveries because of the greater amount of uncertainty that exists—due in part to the economic shocks sustained by the international economic system in the past few years—and because inflation rates have remained high despite several years of economic slack. Both consumption and investment behavior appear to have been affected adversely by this environment of uncertainty and high inflation. Moreover, the restrained growth of consumption demand, in turn, has contributed to the low level of pressure on existing capacity, which is discouraging investment.

The increase in the household sector's propensity to save, coupled with reluctance on the part of potential investors to invest, means that some adjustment must have taken place in order to match saving and investment, since personal saving and fixed investment are important components of total saving and investment. In the absence of changes in governmental and external stimuli, economic theory would suggest that this process would take the form either of an adjustment—in the present case, downward—in the rate of return on saving and in the rate of return necessary to make an investment profitable and/or an adjustment—again, in the present case, downward—in income. These factors have tended to depress real rates of return (as measured by actual rates of return adjusted for realized inflation) and incomes in the major foreign countries during recent years, although there has been some offset to this process due to changes in government policy.

The prospects for a stronger recovery in consumption and especially in investment appear to rest heavily on reducing the rate of inflation and reducing the degree of prevailing uncertainty. It is true that, as the investment slowdown is prolonged, the need for replacement investment will probably provide some incentive for higher over-all gross investment. Nevertheless, sustainable growth requires extensions to capacity, and businesses would be more likely to expand if future growth were more assured. □

Statements to Congress

Statement by Stephen S. Gardner, Vice Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Consumer Affairs of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, September 22, 1977.

Mr. Chairman, I am glad to have this opportunity to participate on behalf of the Board of Governors in your committee's hearings on consumer safeguards for electronic funds transfer systems. The need for such safeguards has been recognized by the Congress, the Board of Governors of the Federal Reserve System, the National Commission on Electronic Fund Transfers, and many other representatives of the general public. The Board commends your committee for undertaking this essential work. These issues are of vital importance to consumers.

The new world of electronics provides opportunities to broaden consumer payment alternatives and to improve consumer convenience and service while reducing the costs of making payments. Direct deposit of Government payroll and social security benefit payments through automated clearinghouses has helped people receiving funds by improving the security and convenience of such payments and has resulted in substantial cost savings to the Government. Installation of teller machines by the financial institutions has offered consumers longer banking hours and more convenient banking facilities at costs much less than regular branches. The retailing industry has successfully installed electronic cash registers that have demonstrated the convenience and cost savings expected of electronic fund transfers (EFT) at the point of purchase.

Nonetheless, EFT is developing at a more moderate and cautious pace than many predicted. The major reasons for this slow development are found in the many uncertainties that surround the substitution of electronic systems for the traditional use of paper bills, checks, receipts, and ledgers. Consumers, businessmen, and depositary institutions are unsure of their rights and liabilities in EFT systems. There also may be antitrust questions that need to be clarified since cooperation among competing depositary institutions may be necessary in many markets to successfully introduce the new technology. It is not surprising, then, that we are applying only a fraction of the technology we possess and that businesses are reluctant to make the substantial investment necessary to utilize present knowhow.

Clearly, the work of this committee can speed the process by which we can realize the cost savings and conveniences that our inventive technology can bring to the simple, normal daily tasks of life.

H.R. 8753 addresses consumer rights and interests and is directed at quieting many of these fears. The Board endorses the intent of the proposed EFT consumer legislation. EFT can deliver substantial public benefits. Many of the issues covered by H.R. 8753, as you know, have also been considered by the National Commission on Electronic Fund Transfers in that Commission's detailed deliberations.

While the proposed bill has benefited from the Commission's earlier Interim Report, I am sure the committee will want to review carefully the Commission's final recommendations on consumer issues. As you know, these have been completed within the past 2 weeks. Finally, H.R. 8753 recognizes but does not appear to address consumer privacy, a most important issue. The Commission has considered the privacy issue extensively, and I suspect this committee will want to study the subject carefully.

The Board believes that consumer protection legislation should start with the premise that keen competition is an aid to consumers when both suppliers and purchasers are numerous. Competition is most likely to develop when there are many participants in the marketplace. Therefore, legislation establishing a legal framework for EFT should make it possible for any and all depositary institutions to set up EFT plans for their customers. The goal should be to afford individuals, small businesses, and other users of EFT at least the same breadth of choice among alternative suppliers of EFT services that they now have among alternative suppliers of checking accounts. If every depositary institution can provide EFT capabilities to its depositors, every depositary institution can compete effectively, and competition will generate a broad choice of alternatives for the public. Limits on the ability of institutions to offer EFT plans, whether imposed by legislation or by the nature of EFT technology, could result in the same sort of highly concentrated market that characterizes the bank credit card industry. Such an outcome would probably not be in the public interest.

H.R. 8753's most important provisions deal with the information the institution supplies to the consumer and the substantive rights of the consumer. The Board particularly supports the advance disclosure of EFT terms in readily understandable language. Disclosure would cover both the consumer's right to obtain information from the institution and the consumer's rights when something goes wrong. The Board believes disclosure of transaction terms is necessary as it will facilitate the consumer's control over his personal finances. The Board also endorses the concept of descriptive periodic statements describing the activity that has taken place in the consumer's account and recommends that the statements should include the transaction date, amount, location, means of transfer, type of transaction, other parties to the transaction, and transaction number. These statements are particularly important because they will serve many of the functions now being provided by cancelled checks.

The Board also approves of H.R. 8753's definition of certain inherent consumer rights, such as a limit on liability for unauthorized use of funds transfer cards, the right to stop payment on a purchase transaction, as well as the right to require prompt correction of errors.

The Board endorses the limit proposed in H.R. 8753 on a consumer's liability for unauthorized transfers by means of an EFT card. This provision parallels the earlier Board recommendations. Unauthorized uses of EFT cards, beyond minimal amounts, represent avoidable or insurable risks that the Board believes institutions, not consumers, are better able to bear.

The Board similarly approves the provision in H.R. 8753 that makes the institution liable for consequential damages suffered by the consumer as a result of a failure to carry out transactions ordered by the consumer. Under the present check payment system, a bank "is liable to its customers for damages proximately caused by the wrong dishonor of" a check.[1] Thus, if the consumer writes a check to pay for a fire insurance premium on a home, the bank erroneously refuses to pay it, the insurance coverage lapses for nonpayment, and the home burns down, the bank is liable for the damages incurred by its customer, not just for the amount of the check. This same principle should apply to consequential damages suffered because of EFT lapses by the institution.

The Board further supports the provision in H.R. 8753 that gives the customer the right to stop EFT transactions. The EFT customer's right to stop payment on purchase transactions is quite similar to the customer's present right to stop payment on a check. The stop payment right was originally included in the Uniform Commercial Code on the grounds that depositors "expect and are entitled to receive (this right) . . . notwithstanding its difficulty, inconvenience, and expense."[2] The same rationale applies to EFT transactions. However,

[1] U.C.C. § 4-402

[2] U.C.C. § 4-403, n.2.

stop payment transactions will probably occur infrequently, and significant costs to the consumer may be associated with them. Therefore, the Congress may want to consider alternatives, such as "value dating," a system that permits the consumer and the merchant to agree on a future date on which a payment will become final.

No one doubts that both mechanical and human errors will occur under an EFT system. Consumers have a particular reason under EFT to expect prompt error correction. Errors may reduce or deplete the funds in the consumer's account needed for day-to-day living expenses. The Board, therefore, favors the provisions of H.R. 8753 concerning error resolution and the requirement that statements contain sufficient identifying information to enable the consumer to detect mistakes. The error resolution procedure derives in part from the Fair Credit Billing Act.

In H.R. 8753 the institution must acknowledge alleged errors within 7 days and correct such errors within 30 days. That may not be feasible for EFT. In the case of credit errors the consumer must decide only whether or not to pay an erroneous bill. When the consumer is confronted with errors in his deposit account, however, he may be temporarily without funds. The Board believes that 37 days is too long for a consumer to be without his funds, and that the error resolution period should be substantially shortened.

I also want to bring to the committee's attention other basic concerns of the Board. They are the risk that the bill could have anticompetitive effects and could increase costs that EFT systems should reduce.

Vigorous competition between financial institutions constitutes an important form of consumer protection. The prohibition of H.R. 8753 upon circulation of EFT cards that consumers have not requested can impose a substantial barrier to supplier entry into the EFT market. The new EFT institution faces more difficult start-up problems than even that experienced by a credit-card issuer. A large base of cardholders is essential to attract merchant participants. Without such a base of participating merchants, consumers will not find the system attractive. In urging reconsideration of the ban on unsolicited credit card distribution, I want to point out that the abuses that occurred in the mid-1960's when regional, three-party credit-card systems were being established can now be controlled. Consumers enjoy the protection of error resolution and strictly limited liability. We should not recreate the extreme concentration that presently exists in the credit card industry in "debit" or EFT cards.

I hope the committee will revisit this issue, which has been so controversial. Under the bill the consumer bears no liability for unauthorized use of an EFT card unless the consumer requested and received the card. Thus, all liability for unauthorized use of unsolicited cards appropriately rests with the institution instead of the consumer. Further, there may be a worthy compromise in permitting the unsolicited distribution of EFT cards, while requiring that the access code necessary for the card's use be sent only if the customer accepts the plan.

Of equal importance is the resolution of questions that will be raised governing the use of shared systems. While it is not in H.R. 8753, surely the Congress will want to give considerable attention to this issue. EFT should serve the consumer by presenting as few barriers as possible to the consumer's access to all advantages of the network. Consumers should be able to make a purchase from any merchant willing to accept their EFT card, regardless of which institution has issued the card. The consumer can get little benefit from his EFT account if he cannot use his card in a store having a terminal because the switching network will not accept the transaction.

H.R. 8753 seeks to assure that the check payment system will continue as an alternative to EFT. The Board supports the retention of the checking alternative, but opposes the provisions in the bill that require institutions to charge as much for their EFT services as for checks. Both consumer protection and overall competition will be better served if price competition remains unrestricted so that consumers can realize any cost savings available through EFT. A policy of competitive pricing would parallel the recent interest in unbundling of bank charges and Truth in Lending's authorization of discounts for cash.

The Board's concern about legislation prohibiting price competition requires me to comment on the provision that affects charges for credit. We are opposed to this type of Federal price fixing. It invades the business-decision flexibility of sellers and would supplant or conflict with much State legislation.

Another issue of particular interest to the Board is the effect of the proposed bill on the cost of electronic payment services to the consumer. H.R. 8753 would require that EFT generate written documentation of virtually all transactions: sales, loans, debits, and credits. The cost of this broad requirement could nullify the benefits and conveniences EFT offers. A requirement of such records at the point of sale or loan appears reasonable. Simply handing a receipt to the consumer presents few logistical problems, entails no mailing costs, and permits the EFT institution to obtain the user's signature for potential comparison with the account holder's in the event of a disputed transaction. However, concurrent mailing of a record of a nonpoint-of-sale or loan transaction to the consumer involves significant costs. Since the transaction will generate no consumer signature, the degree of protection afforded the consumer by this procedure has limits. The Board, therefore, wonders if the nonpoint-of-sale or loan transaction, particularly a periodic deposit or preauthorized transfer, warrants the expense of concurrent documentation, when it may result in so little additional consumer protection but will add substantially to costs. The Board suggests that negative notice, failure by an institution to receive a regular automatic deposit, for example, would provide sufficient consumer protection against missed transfers at greatly reduced cost.

The Board's interest in reducing the cost of electronic payment services to the consumer also extends to notice requirements. H.R. 8753 would compel institutions and credit-card issuers to include with their respective cards a notice to the effect that Federal law prohibits the distribution of unsolicited cards. Even if this committee decides not to reconsider the Board's recommendation that the Congress repeal or alter the ban on unsolicited cards, the Board believes that the very slight degree of protection conferred on consumers by this notice requirement may not justify the expense, confusion, and paperwork associated with printing, enclosing, and mailing the notices.

The Board's interest in the reduction of costs also applies to recent proposals to replace descriptive billing for open-end credit with a requirement that the creditor enclose copies of written receipts with periodic statements. The Board has experience with some consumer complaints about descriptive billing such as inadequate or misleading identification of transactions. On balance, the Board believes that the loss of information by nonreturn of receipts and the occasional inconvenience at having to request copies will not outweigh the increased paperwork and cost involved in their automatic collection, sorting, and return.

Many people feel that EFT proponents have focused attention upon EFT issues involving technology and marketing and have not paid sufficient heed to safeguarding consumers. H.R. 8753 is a most important step in balancing these concerns. That is the reason I have offered the Board's strong support for the work of this committee on many of the key provisions in the bill. Comments urging further study on consumer privacy issues, the possible anticompetitive effects of shared systems, and the costs to the consumer of producing duplicate records are offered in the spirit of helping the committee improve the legislation. The Board believes that many of these problems can be resolved after further careful study. With your approval, Mr. Chairman, I plan to submit a technical appendix for the record offering appropriate suggestions for some of the points I have raised this morning.

I hope these comments have been helpful, and I will be pleased to try to answer whatever questions you may have. □

Statement by Stephen S. Gardner, Vice Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, September 26, 1977.

I am pleased to appear before the committee on behalf of the Board of Governors of the Federal Reserve System to assist you in gathering information on banking practices and to express the Board's judgment on the need for additional statutory and regulatory safeguards. It is important to have a full and balanced evaluation of this question. We have a great deal of statutory restrictions and regulations levied on domestic depositary institutions in this country, and this oversight legislation and regulation is very effective. Further, the Board has proposed, as you know, additions to its regulatory powers for a number of years. This committee, to its great credit, and the Senate have recently enacted most of the Board's proposals in S. 71. House action on that supervisory powers bill is expected soon. The proposals in S. 71 grew out of years of regulatory experience and they will strengthen the agencies' ability to deal with unsafe and unsound banking practices. In addition, the Board is ready to support some other improvements in regulatory powers. But we must not prohibit legitimate practices or crush the vitality of an industry so essential to our economy.

In accordance with the committee's rules, my testimony will consist of summary comments on the series of questions contained in your letters. Detailed answers to the questions also appear in the appendix to this statement.[1] As the appendix states, we are in the midst of a definitive study, in response to your request, of banking practices related to bank stock loans. All the Federal bank regulators are participating in this work, and the study is expected to be completed by December 1. The preliminary data that we have drawn from this study indicate that some loans to purchase more than 10 per cent of a bank's stock are made at rates below prime and in amounts in excess of the purchase price of the shares. A study of 163 banks where changes in control in 1975 were financed by stock loans, however, shows that no over-all deterioration has occurred in the condition of those banks. While these preliminary indications are consistent with Federal Reserve experience, they may be qualified when the complete study is finished.

In discussing bank stock loans, I want to examine the underlying civic and economic benefits that derive from such credit. There are some 14,500 commercial banks in the United States, and almost all of these corporations are small businesses judged by any standard of bank measurement. The larger shareholders are typically successful small businessmen or women or farmers or professionals, including doctors, dentists, lawyers, and their families or heirs. The local market for such bank stock is extremely limited, but local ownership is prized as a civic asset. When owners' estates must be settled or retirement plans met, financing that permits local ownership to continue is often essential as with any similar business transaction. Since a bank is prohibited from lending on its own stock, the small banker as with so much of his regular business transactions turns first to his city correspondents for assistance. The principal correspondent is most familiar with the bank's affairs, condition, and principals. Further, to gain such a relationship the correspondent has routinely helped the smaller bank with any problem within its capacity, and it does it, of course, because the smaller bank is a prime customer. This process clearly improves the marketability of small bank stock, enhances the attractiveness of such stock as an investment, and provides for continuity of local ownership.

Violations of law or good procedure can occur in any lending practice, and bank stock loans are subject to particular scrutiny in our examiners' instructions because of the difficult evaluation an examiner must make of three troublesome possibilities. First, it is at least a breach of fiduciary duty for a bank official to obtain preferential terms on a bank

[1] The appendix to this statement is available on request from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

stock loan by utilizing his bank's deposits in a correspondent bank. Second, bank stock loans can be a vehicle for circumventing branching and holding company restrictions when the purchase of stock by "straw men" acting on behalf of a larger lending bank are financed by that bank. Finally, when an individual finances the purchase or control of a bank, his loan amortization may require that large dividends and salary be paid to him.

Through the examination process, and the requirements surrounding formations of bank holding companies and acquisitions of new banks by bank holding companies, the Federal Reserve has dealt with these problems. As explained in my letter to you of September 7, 1977, we have taken a number of steps to prevent such problems. These have ranged from Chairman Burns' 1970 letter to the chief executive officer of each State member bank setting forth the view of the Justice Department that the use of interbank deposits as compensating balances for loans to individuals could constitute a violation of criminal law, to the referral to the Justice Department or U.S. Attorney of 37 cases of possible misapplication of bank funds through loans to officers of other banks and loans on bank stock. We have sufficient supervisory and regulatory powers to deal with "straw men" and excessive dividends and salaries, but the issue of correspondent balances is more difficult. None of the cases we have referred to the Justice Department have been prosecuted. Because of the nature of correspondent accounts, it is extremely difficult to prove that there has been a misapplication of bank funds connected with loans to officers or controlling shareholders of a smaller bank, and in most cases there has probably been no violation. But alternative approaches clearly deserve consideration by the Committee in order to prevent real abuses, and I will submit Board recommendations covering disclosure and margin requirements and the requirement that bank stock loans be made at market rates and terms, in response to three of the suggestions made in paragraph I.G. of your outline.

As the statement in the appendix indicates, the regulatory authorities have adequate supervisory powers to deal with the subject of "preferential treatment." Competition for profitable bank business is no less common than competition in all other types of business. Legitimate and effective marketing strategy guides banks in offering as many services as possible to customers. The prime rate is offered to the most creditworthy borrowers that maintain relationships that the banks find most profitable. Plans offering group rates for banking services to the employees as well as the officers of large business customers of banks are just as normal as benefits employees, as a group, may obtain from a group insurance contract with an insurance firm. There is no reason to "curb" such normal banking practices, and the term "favored customer" needs very careful definition if it is meant to imply the existence of practices that are harmful to the bank or to the economy.

As the appendix indicates, a small survey of commercial bank overdrafts at 41 State member banks indicates that only 8 such banks had overdrafts outstanding to officers, directors, and major shareholders, and the aggregate amount of such overdrafts was less than two-thirds of 1 per cent of the total overdrafts reported by the same banks. Overdraft practices varied at the banks. Eight had fairly liberal standards, but we found no evidence in that preliminary study that the application of overdraft policies could be termed discriminatory.

Under Section 22g of the Federal Reserve Act, which imposes ceilings on loans to executive officers, overdrafts are considered to be unsecured extensions of credit and limited by that regulation to $5,000 for an executive officer. We believe there are sufficient bank regulatory procedures in place to administer proper oversight of overdraft policies and practices at banks. However, the Federal Deposit Insurance Corporation is making a more comprehensive survey of overdraft policies at selected banks and we will, of course, carefully review the results of that study before expressing a final conclusion on that subject. It is our oversight experience that the majority of banks conscientiously endeavor to comply with applicable banking laws and regulations.

Earlier this year at hearings before House committees, we testified that the General Accounting Office (GAO) study on Federal bank supervision quite correctly pointed out that the majority of violations of law and regulations uncovered by bank examiners were of a technical nature and had little or no impact on the financial soundness of the institution. This is entirely germane to your inquiry about the extent to which banks comply with appropriate law and regulation. As the appendix indicates, in providing specific answers to your questions about violations of provisions limiting loans to executive officers and requiring disclosure of loans from other banks, we are confident that the provisions of S. 71 will provide the base for even better compliance in the future.

The payment of insurance premiums to bank officials on credit-related health and life insurance arising from credit extensions is covered in detail in the appendix. This is a common practice of smaller, rural banks, especially in the Midwest, and particularly in States that have statutes and regulations that prohibit banks from receiving such insurance commissions. The Board's staff is engaged in a detailed study and evaluation of the merits and difficulty of such procedures. On the one hand, the practice permits small banks to supplement salaries and attract more competent management. In addition, such premium income frequently assists in servicing and retiring bank stock loans that are not criticizable. On the other hand, it appears to be a diversion of income from the bank. I cannot report that the Board has taken a position on this practice generally, but it has carefully administered the provisions of S. 106(b) of the Bank Holding Company Act to assure that no impermissible tie-in provisions are present in bank lending practices. Further, we have no evidence that unsound loans are made by member banks in an effort to generate insurance income. This would be a self-defeating practice in that bad loans could have a serious impact on an institution many times larger than the mere receipt of insurance commissions.

I have included in the appendix a complete list of 35 orders and agreements executed by the Board during the last 5 years under the powers granted in the Financial Institutions Supervisory Act of 1966. In addition, 14 agreements have been entered into by Reserve Banks and State member banks during this period.

There are specific and sufficient laws covering the liability of directors for improper banking practices. In addition, directors receiving excessive salaries or dividends or misusing bank assets are subject to proceedings under the *Financial Institutions Supervisory* Act since such practices would appear to constitute "unsound banking practice." The Board has taken action to terminate excessive salaries and dividends paid to a director and controlling shareholder by a bank holding company. These same conditions would most probably invite civil suit by other corporate shareholders as well.

I want to point out also that two of the Board proposals incorporated in S. 71 will clarify the Board's authority to issue cease-and-desist orders against individual officers and directors. Further, the criteria for removing an officer or director that is expanded to cover gross negligence in S. 71 will expedite Federal Reserve action in the case of directors who flagrantly ignore their fiduciary responsibilities.

Comments are included in the appendix citing Title 18 in Section 411(b) of the United States Code, which deals with impermissible bank political activities.

While there is no specific prohibition against pledging the same collateral for different loans at different financial institutions, it is our opinion that none is needed. The Uniform Commercial Code with great detail and specificity sets up the rights and priorities between creditors to collateral pledged to secure loans.

I have also provided an answer to your question about the application of conflict-of-interest regulations affecting examiners who may take positions after their Federal service with banks. The GAO reviewed this question in the study mentioned previously in my testimony and concluded "since few examiners left to work for banks they examined, we see no threat to their objectivity as long as the agencies continue rotating examiners-in-charge among banks examined and review examination reports at regional offices and District banks." Professional bank examiners have in the past been a source of good management talent for the banking industry. They are subject to careful conflict-of-interest policy governing any dealings with banks while they are examiners. Their work and recommendations are reviewed by the Federal Reserve Bank senior staff as well as senior Board officials. We do not believe any addition to the current protections are necessary.

The issue of whether or not there should be a Federal statute requiring supervisory approval for the transfer of control of banks has been examined carefully by the Board. Such requirements are presently necessary for the chartering of new banks or the acquisition or control of banks by corporations or partnerships. However, there is no prior approval required of individuals who purchase controlling interests in banks. In the suggestions for new authority that I will send you, we will include a strengthening of disclosure and reporting requirements covering the acquisition of 25 per cent or more of the ownership of a bank by an individual. At present the institution must make such a report, but since it may not be aware of such changes, the Board will recommend that the acquiring shareholder be required to file the disclosure report.

In summary, the complex and comprehensive Federal oversight and regulation of the banking industry has effectively served the public purpose of stopping all but an incredibly small number of bank failures in the United States. No other private industry is subject to such detailed Federal and State financial oversight. This system has evolved and has met changing conditions in our economy. I believe the passage of S. 71 is part of this careful development of regulatory restrictions aimed at controlling unsafe and unsound banking practices. I believe some modest additional measures, as indicated in this testimony, will be helpful today. I reject the concept that we need to propose pervasive and severely limiting broader restrictions on banking institutions and their managers. I cannot resist pointing out one anachronism. All of our Federal laws governing banking institutions cover only domestic banks. We have no such Federal oversight for the growing and significant population of foreign banks operating in this country. This committee in the past has considered such legislation. The House is presently deliberating over an International Banking Act, and I can say categorically that the one area where some form of fair and comparable regulation is needed is that which addresses the powers and oversight of foreign institutions operating in the United States. □

Statement by J. Charles Partee, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, September 27, 1977.

I am pleased to appear before this committee today to present the views of the Board of Governors of the Federal Reserve System with respect to recent monetary developments. As I understand it, the purpose of this hearing is to provide an updating of the recent monetary oversight hearings of your parent committee at which Chairman Burns appeared. My remarks therefore will supplement his, and I think it would be appropriate to include a copy of the Chairman's testimony on that occasion as an attachment to my much briefer statement. (August 1977 BULLETIN, pp. 721–28.)

As Chairman Burns indicated at the July 29 hearings, the Federal Open Market Committee (FOMC) at its July meeting adopted new longer-run growth ranges for the monetary aggregates that it expected to be appropriate to the needs of the economy over the coming year. These growth rate ranges were 4 to 6½ per cent for M-1 (defined to include currency and demand deposits at banks), 7 to 9½ per cent for M-2 (which is M-1 plus savings and time deposits—except for large negotiable certificates of deposit (CD's)—at the banks), and 8½ to 11 per cent for M-3 (which is M-2 plus deposits at the thrift institutions). The Chairman also noted that implicit in these projections for monetary growth was the expectation that the velocity of M-1 would continue to increase at a faster rate than it had during comparable periods of previous business-cycle expansions, and that, because of heightened uncertainty as to the relationship between rates of monetary expansion and the performance of the economy, the Federal Reserve would continue to maintain a posture of vigilance and flexibility in the period ahead.

The fact is that the pace of monetary expansion now appears to have been unusually rapid during recent months. This is especially true of the narrowly defined money supply, where the increase over the past 6 months—from February to August—is indicated to have been at an annual rate of 9.1 per cent. This rate of expansion, of course, is well above the FOMC's stated longer-run range of projections. Broader measures of the money supply, on the other hand, have grown at rates only a little above the upper end of the Committee's projected ranges. During the past 6 months, M-2 and M-3 have increased at annual rates of 9.9 per cent and 11.3 per cent, respectively. I might note that over longer time periods—the past year, for example—growth in M-1 has been more moderate while the increases in M-2 and M-3 have been somewhat higher than those I have just cited. And over all of the period of economic recovery, dating from the first quarter of 1975, the expansion in the narrow money supply has averaged just over 6 per cent per annum.

As the recent expansion in the monetary aggregates tended to run above the FOMC's expectations, System operations have been directed toward holding down on the provision of bank reserves needed to support the larger monetary totals. Just as in any other market, the more limited availability of reserve supplies relative to demands has meant that prices—in this case, interest rates—have gone up on day-to-day bank borrowings (Federal funds) and other very short-term sources of financing. The rate paid on Federal funds, for example, is up about 1½ percentage points from the lows prevailing early this year, with almost all of the rise taking place during and after the April and July run-ups in the narrow money supply. Other short-term market interest rates also have been affected, but longer-term interest rates, which are of much greater significance to the economy, have not increased on balance despite the firming since April in short-term market conditions.

Some would argue that the Federal Reserve should have responded more forcefully to the April and July bulges in the money supply. Indeed, a few would say that the reserves necessary to support the deposit expansion simply should not have been provided, letting financial markets and the economy suffer whatever consequences might result. But the FOMC continues to believe that the wiser course is to limit the speed with which money market conditions are adjusted to changing monetary growth rates. We believe this partly because the monetary aggregates—particularly M-1—have proved to be inherently unstable in the short run. Bulges of a month or two in duration are often reversed subsequently, as was the case in the spring and summer of 1975 and again in 1976. Prudence in our actions is dictated also by the fact that the relationship between the various measures of monetary growth and the performance of the economy is loose and unreliable, since it is subject to rather abrupt shifts as the result of changing financial practices and economic conditions.

In the current situation, for example, there are a number of ambiguities for which we do not yet have the answers. Until there is more information, it seems to me that one should be very cautious about prescribing a policy of stern monetary restraint.

First, the excessive growth in the narrow money supply this year has been concentrated in just two 1-month periods—April and July. We do not have a good explanation for these bulges. It may be that they reflect in part a shift in the seasonal pattern of money demand. If so, it is entirely possible that a period of adjustment in money growth could lie ahead, just as it has in the latter part of other recent years.

Second, the abnormal expansion that has occurred over the past 6 months has been concentrated in the narrow money supply, while the growth in broader monetary measures—though substantial—has been much closer to our expectations. One reason for this development may be that the accelerated pace at which other forms of deposit and liquid asset instruments were being substituted for bank checking account balances has now slowed, at least temporarily. That would modify the meaning of the changed relative growth rates of the various monetary aggregates, in terms of probable impact on future economic performance, since it would simply reflect a shift in holder preference from one form of deposit to another.

Third, the behavior of the economy this spring and summer, though generally satisfactory, does not suggest that a major new boom is in the process of developing. Indeed, both the growth in real activity and the pace of inflation have slowed somewhat in recent months, following acceleration earlier in the year.

This has been true also abroad, where most developed countries to date have shown only rather sluggish recoveries. Nor has there been a rush of business borrowing at the banks, though credit demands in general have been well sustained. Thus the current economic data do not suggest that businesses and households are building up cash balances with a view to increasing abruptly their rate of expenditure. Since sizable unused resources still exist in this and other economies, moreover, there is no immediate need to restrain excessive expansion, and there should be time to check any speculative surge in spending and investment that might develop.

I can assure you that the Federal Reserve has been concerned about the recently accelerated growth in the narrow money supply and that we are monitoring this development closely. And I want to emphasize that we have by no means given up on our views as to the ranges of growth for the family of monetary aggregates that are appropriate in the longer run to the needs of the economy. The recent tendency toward excess has proceeded in fits and starts, however, and we cannot yet be sure how durable—or meaningful—these increases are likely to be. Our efforts to restrain the monetary expansion must therefore be judicious. With the unemployment rate nationally still hovering around 7 per cent, we would not want to contribute to conditions in credit markets that might imperil the prospects for sustained economic recovery. □

Statement by Philip E. Coldwell, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, September 28, 1977.

Mr. Chairman, I appreciate the opportunity to testify before this subcommittee on behalf of the Board of Governors of the Federal Reserve System on H.R. 9086, the Safe Banking Act of 1977. Before I address some of the more important provisions of the bill directly, the Board believes that it is important to place the bill in the context of prior efforts.

As you are aware, Mr. Chairman, in September 1975 the Board proposed legislation on behalf of the three bank regulatory agencies designed to improve supervisory effectiveness. These proposals arose from a study by the agencies subsequent to the Franklin National Bank failure of possible legislative actions to aid the agencies in their goal of preventing or ameliorating difficult bank situations.

The legislation recommended by the agencies was included in the Financial Reform Act and was in large part embodied in S. 2304, which was reported out of the Senate Committee on Banking, Housing and Urban Affairs in the 94th Congress. This legislation was subsequently found to be necessary and was supported by the General Accounting Office in its study entitled Federal Supervision of State and National Banks. In this session of the Congress, the majority of these proposals were reported out of the Senate Banking Committee as S. 71 and, in fact, recently passed the full Senate.

The Board believes that the proposals embodied in S. 71 are relatively noncontroversial and are needed in our ongoing supervisory work. As you are aware, H.R. 9086 contains a large number of provisions that are unrelated to the basic supervisory thrust of S. 71 or raise new issues. Furthermore, many of these provisions are likely to be controversial, and we are frankly concerned that such controversy will interfere with the passage of the other necessary, noncontroversial provisions.

Many of the additional titles, which go beyond the basic supervisory thrust of S. 71, represent a potential overreaction to recent public discussion of certain practices. The Board does not condone abuse of a bank for the benefit of insiders. In fact, the majority of the proposals reflected in the Board's original legislative recommendations in the supervisory field are designed to curb such abuses and enable the agencies to take more effective supervisory action when such abuses are discovered. However, we believe that the adoption of additional restrictions without the benefit of a full factual analysis could result in significant harm to the business of banking and interfere with the provision of credit to the economy. If the practices sought to be corrected are indeed potentially harmful and widespread, then legislative action may be needed. However, if such practices appear to be sometimes beneficial or reflected in only a few banks, then examination, supervisory, and perhaps regulatory action reinforced by the additional tools of S. 71 would appear to be adequate to meet the problem.

The combination of the existing provisions of S. 71 with the additional restrictions in H.R. 9086 are excessive in light of existing knowledge of the problem and too severely restrict the ability of banks to provide loans to creditworthy local businesses. Furthermore, the legislation will severely interfere with the ability of financial institutions to obtain qualified outside directors. The provisions relating to transfers of bank stock by individuals are too restrictive in view of the known nature of the problem and would interfere with the ability of banks to obtain capable successor management through which it would serve the community. Again, substantial revisions are proposed in the bank holding company area without a demonstration that there is a problem needing to be remedied. These portions of the bill should not be enacted without extensive analysis and study of the problems involved.

For these reasons, we urge that the subcommittee go forward with those noncontroversial provisions of H.R. 9086 that are embodied in S. 71 and for which the agencies have an ongoing need, and separate out other portions of the bill for further study and consideration. Board testimony on S. 71 reflects many of the prime reasons for this supervisory thrust, and I ask that it be placed in the record on these hearings. (Statement, September 26, 1977, by Governor Gardner.)

I would now like to turn to the Board's comments on some of the specific provisions of the bill. The bill is, as I have already noted, so extensive and touches on so many important areas that, in the time allowed, I will only be able to provide the Board's comments on some of the major issues raised by the bill. I am submitting for the record a section-by-section analysis of the bill, which sets forth the Board's comments on those provisions of concern to the Board.

I will now turn to Title I of the bill, which incorporates many of the proposed improvements in the bank supervisory and regulatory area that passed the Senate in S. 71. As I have noted earlier, the Board strongly supports these provisions and urges their immediate enactment. However, the Board questions the need for some of the changes that have been made. In the area of "insider lending" particularly, the changes to S. 71 that are made in Title I are too restrictive and would unduly constrain legitimate lending practices without measurable countervailing public benefit. The net result of these provisions would be to prevent many businessmen from lending their expertise to bank boards of directors.

Title I would modify the aggregate lending provisions of S. 71 so that they would apply to a director and his related companies whether or not that director was an officer or a 10 per cent shareholder. The Board believes that such a provision would severely limit the availability of qualified directors for banks, particularly in smaller communities. In such smaller communities, it is not at all unusual for an outside director to control more than one local business. This bill would force the outside director to choose between the local availability of credit for those businesses and his service as a bank director. The result of such a choice could be to deprive the bank of experience and advice.

In our view, the requirement elsewhere in Title I—that loans to insiders be approved by two-thirds of the board of directors and that such loans not be extended unless they are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than the normal risk of repayment or present other unfavorable features—adequately protects against possible abuses. Unless a director were also an officer or a 10-per-cent-or-greater shareholder, it is unlikely that he would be able to induce the other directors to make a questionable loan, particularly in view of the liability to which the other directors would subject themselves under the civil penalty provisions.

The requirement that the aggregate loan limitation on loans to covered insiders be set at 50 per cent of the statutory loan limit to an individual borrower will again provide a strong disincentive for outside directors to serve on bank boards. Once the statute has been amended to aggregate all loans for a particular insider and his related interests, it does not appear that there is any substantial decrease in risk to the bank's safety or solvency by moving from 10 per cent to 5 per cent of the total capital and surplus of the bank.

Title I further places a ceiling on aggregate lending to all insiders. We do not believe such a provision to be necessary or appropriate. The aggregation of loans to the interests of any one insider is based on the premise that such a concentration is more risky in the case of an insider because those loans might be made on less than an arm's-length basis. While an argument might be made that similar considerations of risk would support an additional limitation on the aggregate of a bank's loans to all insiders and their interests, our experience has not shown that an additional limitation is necessary. In cases that have come to our attention involving insider lending abuses, those abuses have been limited to one or a few, generally controlling, individuals and have not typically involved the entire board, particularly its outside directors. An additional limitation on the aggregate of loans to insiders and their interests, which would rule out the major portion of such loans, would be a serious deterrent to the ability of banks to attract independent outside directors. In addition, it would restrict a bank's ability to lend to companies and individuals best known by the bank to be creditworthy and would require banks to ration credit among the directors and companies they control.

In closing the Board's comments on Title I of the bill, we believe that it is necessary to consider the cumulative effect of the proposals that have been made. In sum, if the proposals are adopted as proposed, a bank may find it impossible to obtain qualified outside directors as is required by a subsequent title of this bill. Such, almost punitive, provisions should not be imposed since there is no showing of any significant number of instances where outside directors have abused their positions. Again, with respect to other insiders, the harshness of the remedy far exceeds the frequency of demonstrated abuses.

The next major portion of the bill on which the Board wishes to comment is Title VI, which would radically change the ground rules for the transfer of ownership of bank stock by requiring prior approval of the Federal Deposit Insurance Corporation (with input from the Comptroller of the Currency or the Board, as the case may be) before any individual could acquire control of an insured bank. Since 1956 in its consideration of the Bank Holding Company Act and the various amendments thereto, the Congress has carefully drawn a distinction between corporate and individual ownership. In fact, it was not until 1970 that the Congress expanded the coverage of the Bank Holding Company Act to partnerships owning bank stocks. Similar distinctions have been consistently drawn under the Savings and Loan Holding Company Act. These previous actions on the part of the Congress have basically reflected a concern for the marketability of bank stocks, a desire not to unduly discourage changes in the control of banks, and a respect for the individual's rights to buy or sell stock. Particularly in the Nation's smaller communities, successor ownership and management have to be readily available, and many changes in control and management of banks result in more effective and responsible ownership, are highly desirable, and should be encouraged.

Any regulatory requirement for prior approval would necessarily impose burdens, costs, and delays that would hinder such changes, desirable as well as undesirable, restrict the marketability of bank stock, and discourage some young persons of promise from entering the banking industry. The costs and burdens of this type of Federal legislation should not be imposed on the more than 14,400 insured banks in the country without better demonstration that there is a compelling need for the legislation or that the goals of bank safety and soundness cannot be reached through less obtrusive legislation. Undoubtedly there are instances in which changes of control have led or will lead to adverse impacts on the bank involved. However, the Board seriously questions whether the approval process contemplated would prevent enough of these instances to justify the costs involved. Additionally, we are concerned whether appropriate standards for the exercise of discretion to permit or deny individual ownership can be drafted that will adequately balance the individual's rights with the protection of the institution. We believe the standards imposed in the title as drafted are too indefinite and would give too much authority to the supervisory authority. Further, a conflict could arise between the standards applied for individual ownership under this title and those imposed for corporate ownership under the Bank Holding Company Act.

In this regard, the Board believes that there is a less disruptive method by which the goal of attempting to prevent adverse impacts of bank ownership changes can be achieved. Section 7(j) of the Federal Deposit Insurance Act presently requires that reports of change of control of financial institutions be filed by the institution when it realizes that such a change has occurred. The Board believes that it might be appropriate to require filing of a report by the acquiring person no later than the date of consummation of any change of 25 per cent or more ownership. Civil penalties should apply for the failure to file such a report, and the report should contain much of the information required by Title VI. In this manner, if there were any circumstances regarding such a substantial ownership change as to give rise to a suspicion by the bank regulatory agency that the bank involved might be abused as a result of such change, the bank regulatory agency would be in a position to have its personnel monitor developments at the bank and take action before the bank suffered any serious adverse impact. We believe that such an approach would adequately balance supervisory concerns with individual rights and the necessity for the marketability of bank stock.

The Board believes that under certain circumstances there is some merit to the concept introduced in the bill of applying a margin requirement to all bank stocks whether or not they are publicly traded. However, we believe a requirement of a 50 per cent margin as proposed by the bill would make it extremely difficult to provide for successor ownership and management at smaller institutions in smaller communities. Rather, we believe a more appropriate margin would be 25 per cent and that there should be regulatory exemptive authority depending on the circumstances. Such a margin requirement should apply when control is being acquired and where the loan involved is from a commercial bank. Otherwise, such bank stock loans should be set on the same terms and conditions as other bank loans.

With respect to the provisions relating to correspondent balances, the basic purpose of Title VIII of the bill appears to be to prevent an insider of one bank from influencing the placement of such balances as a means of obtaining loans, probably at preferential terms, from another bank. To this end the title would prohibit bank A, which has a correspondent account from bank B, from lending to insiders of bank B, or if bank A has lent to insiders at bank B, from opening up a correspondent account for bank B.

The title goes on to prohibit a bank keeping a correspondent balance with another bank from making a loan to an insider of that correspondent or a bank having such a loan from opening up a correspondent account at such bank. With respect to the latter prohibition, there appear to be few, if any, known cases where banks providing correspondent accounts were abused in the manner that the provision is apparently designed to prevent, and we question its necessity.

The Board strongly supports the purpose of preventing insiders from profiting through the placement of correspondent balances, and we have previously taken action to attempt to insure that such abuses do not occur. The exposure to such abuse is particularly high in the case of an officer or controlling stockholder of a bank. However, rather than prohibit such relationships, the Board believes that limits could be imposed on shifts of correspondent accounts or the size of the accounts not justified by services rendered. In addition, we believe that a requirement for no preferential treatment should be imposed on all bank stock loans whether or not a correspondent balance exists. Such requirements should be backed up with civil penalties, and the committee may wish to consider the desirability of such a provision in conjunction with the aforementioned margin requirement as an alternative to the prohibitions of Title VIII.

The bill, however, would also reach "outside directors" and will prevent creditworthy loans by banks that have correspondent relationships with the bank on whose board they sit. It must be remembered that in many instances a correspondent bank is in the best position to judge the credit of people in a downstream correspondent. In view of the restrictions proposed in Title I relating to insiders borrowing from their own institutions, the provision is overly broad and would unfairly restrict the ability of these individuals to obtain credit. The Board, therefore, believes that outside directors, that is, directors who are not otherwise officers or 10 per cent shareholders, should be removed from the prohibitions of Title VIII and that only the requirement of nonpreferential treatment be instituted with respect to loans to such individuals. That is, the loans should be required to be on no more favorable terms and present no more risk of collectability than comparable loans to third parties.

As it has in the past, the Board favors enactment of a right to financial privacy bill and one that would, as would Title XI, extend the disclosure prohibition to any person rather than just covering disclosure to governmental agencies. We are somewhat concerned, however, that there may be certain technical details in this bill that would impede the Board's ability to carry out its statutory functions.

Section 1110(e) should be amended to make it clear that the title does not authorize withholding of financial information that regulatory agencies have a statutory right to collect whether or not a statute specifically requires the information to be reported. Furthermore, we believe that 1110(b) should be amended to include not only supervisory but also monetary and regulatory functions.

Section 1109 could have the unintended effect of disabling the bank supervisory agencies from exchanging information among themselves or from making relevant information available to the Department of Justice and the Securities and Exchange Commission for enforcement purposes. We therefore believe that a sentence should be added at the end of 1109 that states:

> Nothing in this title prohibits any supervisory agency from exchanging examination reports or other information with another supervisory agency, or from supplying information to a prosecutorial or enforcement agency concerning a possible violation of a regulation or statute administered by the supervisory agency.

We are concerned, however, with section 1104 of the bill relating to the nonauthorized use of terminals and disclosure of a customer's transactions at those terminals. While the Board is generally in favor of such precautions, we believe that this portion of the bill is overly vague. Any provisions relating to EFT systems security should set forth standards and methods of security with great specificity in order to enable financial institutions to properly comply with the section. For this reason, we recommend that this section of the bill be deleted so that it may be later considered in greater detail.

The title of the bill relating to holding companies incorporates a number of provisions, which were embodied in S. 71, that would improve the Board's supervisory authority over bank holding companies, and the Board urges the immediate enactment of these. In addition, this title would authorize the waiver of the 30-day notice requirement in the Bank Holding Company Act in the case of emergency or failing bank situations. The Board believes that enactment of this provision is extremely important, and while it was not incorporated in S. 71, the Board believes it to be completely noncontroversial and recommends its immediate enactment.

Section 1307 of the title would require the Board to promulgate regulations requiring that each bank holding company and its banking subsidiaries include on its board a "reasonable" number of persons who are not affiliated with the holding company or its subsidiaries. The Board believes such a provision preempts the prerogative of shareholders under both national and State law. To our knowledge such a requirement is without precedent, and we are aware of no showing of a compelling need to interfere with the rights of shareholders in this regard.

Title XIII of the bill also contains, in Sections 1308 through 1313, provisions that would drastically alter the present regulatory scheme for bank holding companies contained in the Bank Holding Company Act of 1956, as amended. As I noted in my introduction, the Board is quite concerned that, due to the size and complexity of H.R. 9086 and the number of important issues covered therein, adequate consideration may not be given as to the desirability of these amendments.

The amendments would prohibit any bank acquisition by a bank holding company if it would result in the bank holding company holding more than 20 per cent of the total assets held by all banks and bank holding companies in the State in which the bank is located. We seriously question the desirability of such a rigid asset limitation and do not believe any need has been shown to impose such a limitation. Recent studies have shown no trend, on a nationwide basis, toward increased concentration during 1968 through 1975. In fact, aggregate concentration declined. Further, during the period 1960–74 there was no over-all trend toward increased Statewide concentration.

As a general matter, a requirement of this nature could lead to anticompetitive market protection for some banks. Furthermore, as drafted, the limitation might have inequitable results between various banking organizations depending on whether the assets were inter-State or intra-State or perhaps derived from an international business, or State deposits that may fluctuate. The focus on the total assets approach also overlooks the impact of present and future bank-type authority granted nonbank financial intermediaries that might intensify competition to commercial banks for some banking services.

Further, no single percentage figure would be appropriate for all the States due to a number of factors, including, among others, the number of bank and nonbank competitors, competition from out-of-State institutions, the existing size distribution of competitors, the recent history of bank expansion, and legal or economic impediments to unrestrained competition such as home office protection laws. The provision further interferes with the right of a State to determine the desirable banking structure for that State.

We note, however, that section 1308 would allow the Board to deny a bank acquisition that was not in the public interest even though the anticompetitive effects of the acquisition would not rise to the level of a violation of the antitrust laws. We believe that this would constitute a desirable clarification of existing law.

The bill also makes numerous changes in section 4(c)(8) of the Bank Holding Company Act. A number of these changes are consistent with present Board practices or make minor changes in emphasis that would have no substantial effect on the administration of the act. We would note, however, that the proposed revised standards delete the provision of present law that permits the Board to differentiate between activities undertaken *de novo* and activities commenced by the acquisition of a going concern. We believe the authority to encourage *de novo* acquisitions has promoted competition, and we strongly recommend that it be retained.

The Board is quite concerned with the requirement that a nonbank activity be not only closely related to banking but also "directly" related and that it be not only a proper incident thereto, but a "necessary" incident. All of the nonbanking activities presently permitted by the Board were carefully considered under the guidance furnished by the legislative history of the 1970 amendments and after obtaining extensive public comment. A major change in the standards for permissible activities such as that contemplated in Section 1309 should only be based on substantial factual evidence that the change is needed. The Board's staff is currently preparing a rather comprehensive study and review of bank holding company activity that would assist in determining whether any change in the present standards for permissible activities would be in the public interest. We believe a major change such as suggested in Section 1310 should await the outcome of this study and other factual evidence.

The Board believes that Section 1311 of the bill relating to "sound and competitive financing of nonbanking activities" is generally consistent with existing Board authority and practices under the Bank Holding Company Act. We do, however, object to the requirement that intercompany transaction reports be made available to the public, as these reports contain sensitive information comparable in some respects to bank examination reports.

The Board strongly objects to the additional hearing and administrative procedures contained in Section 1312 *et seq*. The Board's present procedures under the Bank Holding Company Act are consistent with the Administrative Procedure Act and provide for an adjudicative hearing on individual applications when there are disputed questions of fact. Section 1312 would depart from the Administrative Procedure Act by requiring a formal hearing for the promulgation of regulations and all individual case determinations whether or not there are factual matters in controversy.

The courts and other authorities on administrative law have long recognized the distinction established by the Administrative Procedure Act between rulemaking and adjudication. Adjudication and a formal hearing are required to determine facts about particular parties, their activities, businesses, and property. On the other hand, a rule-making proceeding is less formal because typically the issues do not relate to evidentiary facts as to which the veracity and demeanor of witnesses would be important. We believe that the precedents in administrative law demonstrate that the public interest is safeguarded and best served by avoiding the cumbersome procedures of formal adversary hearings. In connection with rulemaking, the experience of those few agencies who use formal hearings is that such rule-making proceedings are unreasonably lengthy. Accordingly, we believe that the Board's present procedures should be continued.

Finally, we are concerned with the provisions requiring the Board to process a petition to commence a proceeding to consider the issuance, amendment, or repeal of any *order* or regulation relating to nonbank activities. We note that under the Administrative Procedure Act there is a present right for any person to petition the Board for the adoption or amendment of a regulation. Additionally, the Board recognizes its responsibility to continually review its regulations and supervise on an ongoing basis the operation of nonbank activities by bank holding companies. However, we believe that the procedure established to challenge the operation of individual companies provides a continuing possibility of collateral attacks on a bank holding company wishing to engage in a bank-related activity. The continuing possibility of unfounded attacks could deter many bank holding companies from engaging in nonbanking activities. This in turn would result in the curtailment of the possible benefits obtained under the Bank Holding Company Act from more innovative and competitive services in bank-related fields.

In conclusion, Mr. Chairman, I would again like to emphasize that the Board believes that the provisions of H.R. 9086, which were originally embodied in S. 71, are constructive and necessary. We commend the committee on having included them in this bill and recommend their immediate adoption. While the Board is in sympathy with a number of objectives of the additional provisions and might support modified versions of some of the proposals, we believe extensive study should establish the necessity and desirability of any additional legislation. The Board would be happy to cooperate with and assist the committee in any such study it may wish to undertake. □

Statement by Stephen S. Gardner, Vice Chairman, Board of Governors of the Federal Reserve System before the Subcommittee on Consumer Affairs of the Committee on Banking, Housing and Urban Affairs, U.S. Senate, October 4, 1977.

Mr. Chairman, the Board of Governors of the Federal Reserve System is pleased to participate in your committee's hearings on consumer safeguards under the proposed "Electronic Fund Transfer Consumer Protection Act." As you may know, I recently testified on a similar bill before the Subcommittee on Consumer Affairs of the House Banking, Finance and Urban Affairs Committee. It is clear that the need for such consumer safeguards in electronic fund transfers (EFT) has been widely recognized—by the Congress, the Board, the National Commission on Electronic Fund Transfers, and many representatives of the general public. The Board commends your committee for undertaking this essential work.

I will begin today as I did in my House testimony by mentioning the public benefits that EFT can provide to our society. The electronic fund transfer systems open up opportunities to broaden consumer payment alternatives and to improve consumer convenience and service while reducing the costs of making payments. Direct deposit of Government payroll and social security benefit payments through automated clearinghouses has already helped people receiving funds by improving the security and convenience of such payments and has resulted in substantial cost savings to the Government. Installation of teller machines by the financial institutions has offered consumers longer banking hours and more convenient banking facilities at costs much less than regular branches. The retailing industry has successfully installed electronic cash registers that have demonstrated the convenience and cost savings expected of EFT at the point of purchase.

But EFT is developing at a more moderate and cautious pace than many predicted. The major reasons for this slow development are found in the many uncertainties that surround the substitution of electronic systems for the traditional use of paper in bills, checks, receipts, and ledgers. Consumers, businessmen, and depositary institutions are unsure of their rights and liabilities in EFT systems. There are antitrust questions that need to be clarified since cooperation among competing depositary institutions may be necessary in many markets to successfully introduce the new technology. It is not surprising, then, that we are applying only a fraction of the technology we possess and that businesses are reluctant to make the substantial investment necessary to utilize present know-how.

Clearly, the work of this committee can speed the process by which we can realize the cost savings and conveniences that our inventive technology can bring to the simple, normal daily tasks of life by helping establish a legal framework for the rights, liabilities, and responsibilities of participants in EFT. S. 2065 addresses consumer rights and interests and is directed at quieting many of the fears. The Board endorses the intent of the proposed EFT consumer legislation.

The Board believes that consumer protection legislation should start with the premise that keen competition is an aid to consumers when both suppliers and purchasers are numerous. Competition is most likely to develop when there are many participants in the marketplace. Therefore, legislation establishing a legal framework for EFT should make it possible for any and all depositary institutions to set up EFT plans for their customers. The goal should be to afford individuals, small businesses, and other users of EFT at least the same breadth of choice among alternative suppliers of EFT services that they now have among alternative suppliers of checking accounts. If every depositary institution can provide EFT capabilities to its depositors, every depositary institution can compete effectively, and competition will generate a broad choice of alternatives for the public. Limits on the ability of institutions to offer EFT plans, whether imposed by legislation or by the nature of EFT technology including economies of scale, could result in the same sort of highly concentrated market that characterizes the bank credit-card industry. Such an outcome would probably not be in the public interest.

The most important provisions of S. 2065 would prescribe the information the institution supplies to the consumer as well as the substantive rights of the consumers. The Board particularly supports the advance disclosure of EFT terms. The Board believes that this disclosure should be in easily understood language and should include a list of all of the consumer's rights and remedies that concern his EFT account. The bill's requirement for semiannual disclosure of EFT terms, however, would increase EFT costs, and it is doubtful that repeated disclosures will heighten consumer awareness.

The Board is also concerned about the provision requiring semiannual renewal of preauthorized transfers. This would add substantially to the costs of providing such transfers and burden consumers by requiring periodic attention to a variety of authorization dates at the peril of having an unplanned interruption of automatic payments such as for rent, utilities, insurance premiums, and so forth.

The Board also endorses the concept of descriptive periodic statements describing the activity that has taken place in the consumer's account. The Board recommends that the statements include the transaction date, amount, location, means of transfer, type of transaction, other parties to the transaction, and transaction number. An appropriate descriptive statement is particularly important because it will serve many functions now being provided by cancelled checks.

S. 2065 would also require that EFT generate written documentation of virtually all transactions: sales, loans, debits, and credits. The cost of this broad requirement could nullify the benefits and conveniences EFT offers. A requirement of such records at the point of sale or loan appears reasonable. Simply handing a receipt to the consumer presents few logistical problems, entails no mailing costs, and permits the EFT institution to obtain the user's signature for potential comparison with the account holder's in the event of a disputed transaction.

However, concurrent mailing of a record of a nonpoint-of-sale or loan transaction to the consumer involves significant costs. Since the transaction will generate no consumer signature, the degree of protection afforded the consumer by this procedure has limits. The Board, therefore, questions whether the nonpoint-of-sale or loan transaction, particularly a periodic deposit or preauthorized transfer, warrants the expense of concurrent documentation when it may result in so little additional consumer protection and will add substantially to costs.

The Board commends the negative notice provisions of S. 2065 for regular credits to an EFT account as a partial solution to the documentation cost problem. The committee may also wish to extend this approach to regular debits.

The Board also approves of the bill's provisions on liability, error resolution, and the prohibitions against compulsory use of EFT. The Board endorses the limit proposed in S. 2065 on a consumer's liability for unauthorized transfers by means of an EFT card. This provision roughly parallels an earlier Board recommendation. Unauthorized uses of EFT cards, beyond minimal amounts, represent avoidable or insurable risks that the Board believes institutions, not consumers, are better able to bear.

The Board similarly approves of the provision in S. 2065 that makes financial institutions solely liable for consequential damages suffered by the consumer as a result of a failure of the financial institution to carry out transactions as ordered by the consumer, except where the failure resulted from a technical malfunction caused by an act of God or other circumstances beyond the institution's control. This provision parallels a similar provision for checks in the Uniform Commercial Code.

The bill would provide that a financial institution shall reverse an electronic funds transfer upon request of the consumer within three business days after the transfer. The provision in the bill for reversing purchase transactions is quite similar to the customer's present right to stop payment on a check. The Board supports the intent of this provision. However, there may be other worthy alternatives to an arbitrary reversal period such as value dating, a system that permits the consumer and the merchant to agree on a future date on which a payment will become final.

Mechanical and human errors will occur under an EFT system as they do in the paper payments system. Consumers have a particular reason under EFT to expect prompt error correction. Errors may reduce or deplete the funds in the consumer's account needed for day-to-day living expenses. The Board, therefore, favors rapid error resolution and the requirement of S. 2065 that statements contain sufficient identifying information to enable the consumer to detect mistakes. The bill would set different resolution deadlines depending on when the consumer brings the error to the institution's attention. The Board questions the need for this distinction.

The bill would provide that financial institutions have a fiduciary duty to protect and safeguard EFT deposit account information. "Fiduciary duty" is a legal term of art encompassing a good deal of unstated meaning. Applying this concept to EFT could change the existing relationship between depositary institutions and depositors from that of debtor and creditor to one of trustee and beneficiary. Thus, for example, a trustee is not permitted to mingle the beneficiary's funds with his own, whereas a depositary institution routinely does so. The Board believes that a better approach may be to prescribe with specificity the scope of any institutional duty to protect the consumer's privacy.

Another concern of the Board is that the bill could have anticompetitive consequences. Vigorous competition between financial institutions constitutes an important form of consumer protection. The prohibition of S. 2065 upon circulation of EFT cards that consumers have not requested can impose a substantial barrier to entry into the EFT market. The new EFT institution faces more difficult start-up problems even than those experienced by a credit-card issuer. A large base of cardholders is essential to attract merchant participants. Without such a base of participating merchants, consumers will not find the system attractive. We should not recreate the extreme concentration that presently exists in the credit card industry in "debit" or EFT cards.

EFT cards are inherently safer than credit cards. Depositary institutions and consumers are not exposed to any liability from the unsolicited issuance of EFT cards because the card cannot be used without an access code—that is, the personal identification number (PIN)—or if the consumer does not have a deposit account with the issuer. Moreover, the bill properly provides that the depositary institution is fully liable for unauthorized uses of an unaccepted card, that is, one that the consumer has not affirmatively requested. Thus, the consumer gains from enhanced competition would seem to outweigh any additional consumer protections that a ban on unsolicited issuance might provide. Further, there may be a worthy compromise in permitting the unsolicited distribution of EFT cards, while requiring that the access code necessary for the card's use be sent only if the customer accepts the plan.

Of equal importance is the resolution of questions that will be raised governing the use of shared point-of-sale systems. While it is not in S. 2065, surely the Congress will want to give considerable attention to this issue. EFT should serve the consumer by presenting as few barriers as possible to the consumer's access to all advantages of the network. Consumers should be able to make a purchase from any merchant willing to accept their EFT card, regardless of which institution issued the card. The consumer can get little benefit from this EFT account if he cannot use his card in a store having a terminal because the switching network will not accept the transaction. This sharing issue was addressed by the National Commission on Electronic Fund Transfers in its final recommendations, and the Commission appears to have taken a somewhat different view.

Finally, the Board notes that S. 2065 covers EFT accounts held by nondepositary insitutions. Thus, if the consumer uses EFT to access his balance at a securities brokerage house, mutual fund, or retail seller, he enjoys the same safeguards as for his EFT balance at a depositary institution. The Board endorses the concept of uniform protection but hopes that this bill will avoid becoming accidentally embroiled in the controversy over what institutions may offer banking services. As this committee knows, the definition of a deposit, the institutions holding deposits, and the means by which depositors obtain access to their funds have become increasingly flexible. The Board supports competition in deposit services, but believes that legislation should address this issue separately from EFT consumer protection; indeed, separately from EFT.

Many people feel that EFT proponents have focused attention upon EFT issues involving technology and marketing and have not paid sufficient heed to safeguarding consumers. S. 2065 is a most important step to balance these concerns. That is the reason I have offered the Board's strong support for the work of this committee on many of the key provisions in the bill. Comments urging further study of the possible anticompetitive effects of the bill and the increased costs to the consumer are offered in the spirit of helping the committee improve the legislation. The Board believes that many of these problems can be resolved after further careful study. With your approval, Mr. Chairman, I plan to submit a technical appendix for the record offering appropriate suggestions for some of the points I have raised this morning.[1]

I hope these comments have been helpful, and I will be pleased to try to answer whatever questions you may have. □

[1] The appendix to this statement is available on request from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Statement by Philip E. Coldwell, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, October 11, 1977.

I am pleased to be able to discuss with this distinguished committee the role that the Federal Reserve System plays in the Nation's payments mechanism. My testimony will describe the scope of Federal Reserve participation in the payments mechanism, and how that participation serves the public interest. In addition, I shall address the issues of pricing and access and their relationship to the deepening problem of member bank withdrawal from the Reserve System.

The Federal Reserve System provides a public alternative to private check collection arrangements that ensures the safety, solvency, and certainty of the national check collection system. This operational role exerts a public regulatory presence that protects the interests of the general public in using checks. Before the Federal Reserve System was established, private arrangements cleared all checks and drafts, but these arrangements were judged by the Congress and by the designers of the Reserve System to be inefficient and a burden on commerce. These clearing arrangements also were inextricably intertwined with the pyramiding of balances at correspondent banks—a primary contributing factor to recurring money panics like the one that occurred in 1907. The National Monetary Commission that was set up in 1910 to study solutions to the problem of money panics recommended that an association of banks be organized that would provide a nationwide, centralized clearing union supported by the Federal Government.

The Federal Reserve Act was passed in 1913 at least partly to accomplish this objective, although the Congress substantially altered this original proposal—principally to require membership by national banks and to increase governmental oversight. Later, the Act was amended to assign to the Federal Reserve many of the payments functions that were then performed by the Subtreasuries. As a result, one major role of the System is that of providing a largely voluntary, nationwide, governmentally controlled clearing bank of questionable solvency. The other major payments role of the System is to carry on functions of the Subtreasuries, such as issuing Federal Reserve notes and serving as fiscal agent of the United States. The Federal Reserve Act has been amended on several occasions since the System's role in the payments mechanism was defined, but those sections dealing with the payments role have hardly been altered.

As a consequence of carrying out its charter, the Reserve System exerts a pervasive and beneficial influence on the Nation's payments mechanism. This influence is exerted through four payments activities: cash, check processing, wire transfers of funds, and automated clearinghouses. I should like to describe each activity briefly.

The cash operations of the Reserve Banks involve the distribution of the supply of currency and coin for the economy. Since 1920 when the functions of the Assistant Treasurers of the United States were transferred to the Reserve Banks, the System has been authorized and directed by the Treasury to distribute available supplies of currency and coin directly to commercial banks. Important public service activities of the System's cash operations include counterfeit detection and maintenance of a high quality of money in circulation.

Currently, 37 Federal Reserve offices provide cash services to approximately 25,000 banking offices served by armored carrier for currency and coin pick-up and delivery. During 1976, 7.0 billion pieces of currency and 12.6 billion pieces of coin were processed, and 2.6 billion pieces of unfit currency were destroyed. Including the cost of printing Federal Reserve notes, amounting to $45.3 million, System direct expenses for cash operations were approximately $113 million during 1976.

Check collection operations comprise the largest single activity of the Reserve Banks. Although the Federal Reserve actually processes less than 40 per cent of all checks written, the System is the major participant in check clearing, having worked in cooperation with the banking industry over the years through its operations and regulations to provide a smoothly functioning and efficient check-clearing system. Last year the public and private check collection systems handled an estimated 28 billion checks, drawn on approximately 106 million accounts.

Each day some 50 million checks are transported in timely fashion by contract courier and U.S. Postal Service facilities from Federal Reserve processing sites to the institutions upon which they are drawn or the payer banks' designated processing centers. Fully 95 per cent of the checks processed by the System are deposited by member banks; the remaining 5 per cent are received from nonmember banks depositing at Federal Reserve Regional Check Processing Centers. Because some 40 per cent of the checks processed by the System are deposited originally in banks outside the Federal Reserve territory in which they are payable, the System also employs an extensive air charter network to move checks among Federal Reserve offices. During 1976 the 48 Federal Reserve offices that process checks handled more than 12 billion items; processed approximately 2.8 million adjustment cases; and returned almost 143 million dishonored or uncollectible checks to the banks depositing them with the Federal Reserve. In 1976 the direct expense to the Federal Reserve of check collection totaled $131.1 million.

The third major payments mechanism activity is the Federal Reserve Communications System. The need to move financial and administrative data rapidly between offices has existed since the early days of the Federal Reserve System. To meet that need, the System operates communications facilities interconnecting Federal Reserve offices, the Board of Governors, member banks, the Treasury Department, and other Government agencies. The speed and sophistication of these facilities have improved through the years as communications technology has advanced. Three types of messages are handled through the communications facilities: transfer of reserve-account balances between member banks; transfer of U.S. Government and Federal agency securities; and administrative and monetary policy-related information.

Reserve balances are transferred by member banks to purchase or sell Federal funds, to move correspondent bank balances from one bank to another, and to shift funds to other members on behalf of customers. The communications network is used by the Treasury Department and Government agencies to disburse and collect monies and to transfer Treasury and Government agency securities. In 1976, 21 million such reserve balance transfers took place, amounting in the aggregate to about $35.6 *trillion*. In the same year 2.3 million securities transfers for $7 trillion were processed. The direct expense of transfers of reserve-account balances between member banks totaled $5.7 million.

The fourth payments mechanism activity of the Federal Reserve System is operation of automated clearinghouses. The automated clearinghouse (ACH) concept was originated by the banking industry to utilize new technology to slow or even to reverse the growing volume and increased cost of processing paper checks. Over the past 5 years bankers and thrift industry representatives have formed associations to implement the ACH concept in their regions. All but 2 of the 29 ACH associations have requested Federal Reserve assistance—use of clearing and settlement facilities—in processing payments contained on magnetic tapes. The two privately operated ACH facilities use the transportation network and reserve-account settlement facilities of the Federal Reserve. Currently the volume of commercial payments processed by Federal Reserve ACH operations approximates 800,000 items per month. Federal Reserve operation of automated clearinghouses has been endorsed by the National Commission on Electronic Fund Transfers.

The Treasury Department uses the electronic payments processing capabilities of the Federal Reserve, including the same general procedures and computer systems used for commercial ACH processing, for its program of direct deposit of Federal recurring payments. Currently the volume of payments made under the Government's direct deposit program is approximately 7.3 million items monthly. By 1980 it is estimated that this program will save the Treasury approximately $25 million annually in reduced disbursement costs. The total direct expense to the Federal Reserve to provide both commercial ACH and Government direct-deposit processing was $1.6 million during 1976.

System participation in the payments mechanism provides significant benefits to consumers and to business. For example, the acceptability of consumers' checks is greatly enhanced by the nationwide network of Federal Reserve offices and the speed with which those offices process checks. In addition, the System grants uniform availability of credit for checks drawn on similarly situated banks. These facets of System participation in and regulation of the payments mechanism reduce the impact of the geographic location of the banks on which the checks are drawn. Furthermore, obligations of all sizes can be settled by check because the System collects all items, large or small, at par on the same terms. By reducing the time required to collect funds, by passing credit on a uniform schedule, and by collecting at par, the System reduces the risk taken by merchants that accept checks. Expeditious clearing also improves the functioning of financial markets generally by ensuring that funds in the clearing process are immobilized for a relatively short time.

Finally, the presence of the System as a major factor in the check-clearing process permits the Nation's clearing arrangements to be regulated in the public interest. The Uniform Commercial Code permits the regulations of the Board and the operating circulars of the Federal Reserve Banks to govern many of the terms and conditions for collection of checks. By this mechanism, the System can readily make desirable changes in the check-clearing process. In the past decade many of the innovations in the check collection mechanism, such as the Regional Check Processing Centers—which have reduced the time required to collect checks—have been sponsored or implemented by the Federal Reserve System. Similarly, establishment of the automated clearinghouses was achieved partly by Federal Reserve involvement and assistance.

The presence of the Reserve Banks in the payments mechanism also benefits commercial banks, particularly smaller and more remote ones, because the System stands ready to collect checks at par for any member bank on the same terms. The Reserve Banks provide an alternative to the services provided by the correspondent banks. The private clearing network processes 60 per cent of the checks written in the country. But the existence of the public alternative, which will clear all checks on equal terms, has eliminated some of the abuses that existed prior to 1914.

The Board holds the view that the difficulties characterizing the check-clearing system prior to 1914 are *inherent* in the nature of the clearing process, and that a valuable discipline is imposed by a centralized nationwide clearing authority—public or quasi-public—performing a par-clearing role similar to that now assumed by the Reserve Banks. There does not appear to be any essential difference in this respect between paper and electronic clearing systems. Traditionally, enterprises of such a centralized nature either are operated by the Government or are governmentally regulated.

Federal Reserve participation ensures that the entire Nation has the benefit of a uniform, basic level of payments mechanism services. Banks that are remote from the financial centers or that have low volume are afforded very nearly the same payments services by the System that are available to the large city banks. Only a centralized nationwide clearinghouse can provide for such uniformity of service in check collection.

In recent years changes in law and regulation have broadened the classes of institutions capable of offering third-party payments accounts to their customers and have authorized new types of payments instruments, such as negotiable order of withdrawal (NOW) drafts and credit union share drafts. Many of these institutions can offer electronic payments services as well. The emergence of thrift institutions as participants in third-party payments mechanisms has created a demand for broadened access to Federal Reserve payments services.

In the past the question of access was not pressing. If a bank wanted direct access to System services, it could simply become a member bank. However, this option is by law not available to most of the new participants in the payments mechanism. With the exception of mutual savings banks, thrift institutions cannot become members of the System. At least partly to circumvent this prohibition, we have recently seen groups of credit unions purchasing banks, thereby obtaining access to Federal Reserve services. Similarly, a group of mutual savings banks in the State of Washington formed a bank and applied for membership. A group of nonmember commercial banks in Minnesota has done the same thing. Thrift institutions also have sought direct access to Federal Reserve-operated automated clearinghouse facilities, and the Board has responded with its "interim" access policy of January 1976, granting such access.

We previously have supplied the committee with a description of the current access arrangements for the System's payments services. We believe these access arrangements are equitable, and we do not believe that any depositary institution has suffered serious competitive disadvantage because of this access policy.

The policy attempts to balance a number of conflicting considerations. First, services produced by a quasi-public organization should be available to all depositary institutions on the same terms. But because most thrift institutions cannot become members, access cannot be provided on cost and benefit terms equal to those afforded members. Institutions that are not eligible for membership cannot receive the full benefits or bear all of the costs of membership.

Second, if the System were to charge for its services and to equalize other terms of access between members and nonmembers, any inequities in costs and benefits arising solely from usage of payments mechanism services could be eliminated. However, charging for services would inequitably impose another cost on member banks over and above that of maintaining interest-free reserves. Over-all terms for use of the services would still not be the same.

Finally, the System could charge for its services in order to encourage private competition. But even assuming that private competition could develop, it is by no means evident that the outcome—including the effect on the efficiency of the payments mechanism on the whole, on the level of service available to individual consumers and businesses, and on the erosion of membership in the System—would be in the public interest.

Recognizing the possibility that charging for payments mechanism services might have beneficial effects under some circumstances, the Board stated in conjunction with the "interim" access policy that it intended to publish a pricing schedule for comment. Since that time the problem of establishing charges has been investigated in much greater detail, and the benefits of charging have been seriously questioned. One cannot know for certain the ramifications of charges by the Federal Reserve upon the present level of services provided by correspondent banks, upon the potentially differing impact on institutions of different size, volume, and location, or upon the competitive effects of the significant shifts in payment flows that might result from imposing charges. Furthermore, the administrative costs of operating a system of charges would lessen any possible benefits.

Our studies show that the benefits of charging would be minimal if charges were not imposed upon *all* users of the services. Because the overwhelming majority of the System's volume is deposited by member banks, any approach omitting the member banks from such charges would have very little impact on improving efficiency, would quite probably be inequitable, and would probably not induce private sector competition. Member banks already pay indirectly for the payments services they receive, and imposing additional charges upon them would be inequitable.

The compensation member banks provide to the System for these and other services they receive takes the form of earnings foregone on required reserve balances held on deposit with the Reserve Banks. These reserves are partly analogous to the balances that correspondent banks require from their respondents. Reserve balances total well in excess of $25 billion. Our studies have shown that these balances are larger than necessary to compensate the System for the services member banks receive, and they also are larger than the compensating balances that would be required if all of these services could be and were provided by the correspondent banking system. Of course, the balances required of members serve many other functions, including those related to monetary policy.

Imposition of additional charges related to System services would have the effect of increasing the operating costs of member banks by comparison with the costs of nonmember institutions. The relationship between the value of services received by members from the System and the earnings foregone on member reserve balances would become further distorted. Thus, the erosion of System membership that has been under way in recent years would be likely to accelerate.

The Board believes that its responsibility to the public interest under the Federal Reserve Act does not permit it to take actions that aggravate the loss of membership. For that reason, the Board is not inclined to change its present access and pricing policy unless and until the special costs of belonging to the Nation's central banking system are recognized and offset. If S. 2055 is enacted, the Board has stated that it will make provision for equitable access to System clearing services for all institutions holding NOW reserves. However, the Board does not believe that it would be prudent to impose upon depositary institutions another major change, such as the introduction of additional charges for System services, until the transition costs arising from the introduction of NOW accounts have been largely assimilated.

Once the burden of membership has been eliminated and the transition to nationwide NOW accounts is well under way, the Board could consider introduction of full access and pricing based upon three principles. First, all depositary institutions could be permitted direct access to payments services. Second, institutions could be charged for the services used, either by holding compensating balances at the Reserve Banks or by fees paid in cash. Third, any depositary institution could be permitted to open a clearing account at Federal Reserve Banks for use in settling transactions with the Reserve Banks. The balance required in such an account—in addition to any compensating balances the institution may choose to hold—would have to be sufficient to pay for the amount of the checks and other items that the Reserve Bank would charge to the account each day. Otherwise, overdrafts on the reserve account might occur.

As to the schedule of charges to be imposed under these principles, many difficult policy issues as well as some complex accounting questions must be dealt with before the schedule can be determined. It may appear easy to compute prices for the services; theoretically one need only add up the total cost of providing the service, divide by the amount of service provided, and add whatever mark-up is appropriate for the situation. In practice, there are many unresolved questions. To what service should we assign a specific portion of costs incurred to carry out multiple functions? Should long-run or short-run costs be employed? Over what geographic area—local or national—should prices be uniform? Other technical questions involve cost accounting. The expense data collected by the System are adequate for auditing and expenditure control purposes, and they suffice for management information about the efficiency of Reserve Bank operations; but for purposes of charging, they may not be comparable with cost information collected by private industry. Further examples of questions to be resolved include: Should System prices include a return on the capital employed, and if so, at what rate? Should capital be valued at historical or replacement cost? How should taxes be treated? A myriad of such issues have been identified and are being studied prior to consideration by the Board. These difficulties are technical, but the Reserve System could resolve them in one way or another. They are not the principal impediment to introduction of charges for System services. The main impediment is the fact that charging would exacerbate the membership problem.

The Congress created the Reserve System to be a largely voluntary association of banks, attracting membership broadly from the entire industry. In this way the widest variety of viewpoints, interests, and needs could be brought to the attention of the Board in the formulation of monetary policy, discount and loan policy, and operating policy toward the payments mechanism. Continuing erosion of membership threatens to alter the very nature of the System, cutting off this broad interaction with the banking industry, and through the industry, with its customers. Because the burden of membership falls more heavily on smaller banks, the erosion of membership is most pronounced among those institutions. There is a very real danger that if the erosion continues, the Nation's central bank will become an organization to which only the larger banks belong. I hope we can all agree that such an outcome is not in the best interests of monetary policy formation nor of the public generally.

There are other cogent reasons in the public interest to prefer the Reserve System to have as many members as possible. One of these reasons is the part that the member banks play in monetary management. Balances held at the Reserve Banks serve as the fulcrum for the economic stabilization actions of the central bank. Required reserve balances enable the Federal Reserve to gauge the likely effect of its monetary management actions on the supply of money and of bank credit. As more and more transactions balances are held by the public at institutions that are not subject to reserve requirements, monetary policy inevitably becomes less precise, and prediction of the effect of particular policy alternatives becomes more uncertain.

Furthermore, the implementation of monetary policy is critically dependent upon timely and accurate data flowing to the System's money managers. At the present time, only member banks provide the needed data in the time frame to make it most useful. Cooperative efforts with the Federal Deposit Insurance Corporation (FDIC) are just beginning to provide a flow of data from a sample of nonmember banks. As thrift institutions take on bank-like payments powers, their actions will have an increasing impact upon monetary management. With respect to balances providing such bank-like transactions services, thrift institutions should provide the same data and be subject to the same reserve requirements as commercial banks. Perhaps an equally important aspect of membership is its relationship to the safety and soundness of the banking system. Only member banks have ready access to the discount window and to the Federal Reserve counsel and assistance that accompany use of the window. Ready access to adjustment credit cannot be guaranteed by the correspondent banking system—especially in times of stress in financial markets. Access to the discount window may be a major benefit to member banks; but more important, it is the ultimate guardian of our banking system against liquidity crises. Less obviously, the mere holding of deposits at Reserve Banks increases the soundness of the banking system. Reserve balances are essentially demand deposits held in riskfree form. The same balances held at correspondent banks would be subject to some risk, however small. Therefore, the greater the portion of the banking system's assets that is held at Reserve Banks, the lower the riskiness of the banking system as a whole.

I have dwelt at length this morning on the reasons that broad membership in the Federal Reserve is in the public interest. It is for those reasons that the Board is so concerned about the accelerating erosion of membership. Basically the cause of the loss of members is the burden of earnings foregone by members on the sterile reserves that they hold at the Reserve Banks.

There are a number of techniques that could be employed to equalize the costs of reserve requirements between member and nonmember depositary institutions. Uniform reserve requirements would be the best and the simplest solution. It would impose the costs of sterile reserves equally on all depositary institutions and provide significant benefits for monetary management. And it could do so without weakening our dual banking system or independent thrift institutions. However, the Congress has not been convinced of the ultimate need for such complete coverage.

Another way to equalize costs is to lower reserve requirements to the degree necessary to offset the costs of the excess of reserves over the value of services received. Such action would require lowering of the legal limits for reserve requirements. This solution has the disadvantage that the "insurance" value of reserves would be reduced because a smaller proportion of the total assets of the banking system would be held in risk-free reserve balances.

Yet another way in which benefits could be equated with costs is by increasing the type, quantity, and quality of services provided by the Reserve Banks. Providing additional services, particularly to smaller banks, could upset traditional banking patterns; in any case, the System might not be able to provide attractive services in sufficient quantity to offset the earnings lost on the sterile reserves. Finally, this lost income could be offset by the payment of interest on reserve balances. Interest on reserves affords the greatest flexibility, while interfering least with the existing institutional arrangements in the banking industry. Furthermore, it makes explicit the fact that the System is offsetting the special costs of membership.

The Board believes that Title II of S. 2055 is the best presently available alternative for resolving the membership problem, and we trust that it will be enacted. If nationwide NOW accounts are authorized, the banks offering such accounts will face immediate cost increases that will reduce net earnings and force further consideration of the costs of a sterile reserve requirement. Moreover, with new competition for transaction accounts, banks may feel it necessary to protect against a loss of deposits. These forces could bring even greater pressure on membership, and the provisions of Title II will be essential to prevent an acceleration of withdrawals. Whether or not NOW accounts are extended nationwide, however, the Board believes that the case for relief of the burden of membership is overwhelming and urges the adoption of Title II of S. 2055.

My testimony today has been lengthy and somewhat technical. I apologize for both of these shortcomings. But the issue of the Federal Reserve's role in the payments mechanism is a complex and technical one. Because the System's role is justified by the benefits provided to the public interest, costs arising from that role should not be imposed mostly upon the minority of banks that are members of the System. I hope I have been able to convey to this committee some of the sense of urgency that the Board feels about the risks posed by the decline in System membership.

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON AUGUST 16, 1977

Domestic Policy Directive

The information reviewed at this meeting suggested that real output of goods and services—which had increased at an annual rate of 6.4 per cent in the second quarter, according to preliminary estimates of the Commerce Department—was growing less rapidly in the current quarter. At the same time the rise in average prices, as measured by the fixed-weighted price index for gross domestic business product, appeared to be slowing from that of the second quarter, estimated to have been at a 7.0 per cent annual rate. Staff projections suggested that growth in real GNP was likely to remain less rapid over the remainder of 1977, and to slow a little further in 1978. The projections also suggested that the rate of increase in prices would moderate from that in the first half, but would still remain high.

According to the staff projections, rising activity in a number of sectors would contribute to a continuation of the economic expansion over the year. Growth in consumer spending, which had slowed appreciably in the second quarter, was projected to pick up gradually. Relatively strong growth was anticipated in business capital outlays, and inventory investment seemed likely to continue as an expansive factor, although much less so than in the first half of 1977. Increases in Federal purchases of goods and services were expected to remain substantial. Spending by State and local governments was projected to continue rising briskly, in part because of the stimulus of expanded Federal public works and job-related grant programs. On the negative side, slow export growth and rising imports seemed likely to exert a drag on economic activity over much of the projection period. And the increase in residential construction activity was expected to level off as the period progressed.

In July industrial production rose by 0.5 per cent, a little less than in June and roughly half of the substantial increase in May. The rate of capacity utilization in manufacturing edged higher, to an estimated 83.7 per cent. The July rise in production reflected sizable increases in the output of consumer durable goods and business equipment. Production of nondurable consumer goods changed little, and steel output declined. Auto assemblies rose slightly, but it was expected that production schedules would be reduced more than usual in August by the beginning of the changeover to the new model year.

Nonfarm payroll employment expanded by more than a quarter of a million in July, half again as much as in June, with factory jobs rising by 70,000. According to the household survey data, however, total employment—after increasing 2¼ million between December and June—declined in July, due to a sharp reduction in agricultural jobs. The labor force also contracted in July, almost wholly as a result of reduced participation by teenagers, and the unemployment rate declined 0.2 of a percentage point, returning to the May level of 6.9 per cent.

Personal income had advanced briskly during the first half of 1977 as a result of the large gains in employment. The rise in wage and salary payments slowed in June, but for the second quarter as a whole the increase was the largest since the first quarter of 1976. In July wage and salary payments apparently rose at a moderate rate, and growth in personal income was bolstered by a cost-of-living increase for social security recipients.

Available reports suggested that corporate profits had improved during the second quarter. Although comprehensive data were not yet available, the information at hand implied a second-quarter level of corporate profits that was significantly above the relatively low levels recorded in the third and fourth quarters of 1976 and the first quarter of 1977. As a proportion of GNP, however, corporate profits still remained below their longer-run average and well below previous postwar peaks.

The dollar value of retail sales had increased 0.5 per cent in July, according to the advance report. However, data for June—which had initially indicated no change from May—had been revised to show a decline of 1.3 per cent. For the second quarter as a whole the value of retail sales was now estimated to have risen 1.6 per cent, down from the earlier estimate of 2.1 per cent. In July there were sizable advances in sales at stores in the GAF (general merchandise, apparel, furniture and appliance) grouping. But auto sales fell to an annual rate of 10.8 million units, from the near-record pace of 11.8 million units in June.

Businesses appeared to be making prompt adjustments to evidence of developing imbalances in inventories of nondurable goods. In June the book value of such inventories declined at both manufacturers and wholesalers—at the latter, for the second consecutive month—following large increases earlier in the year. Inventories of durable goods continued to rise at a relatively rapid rate at both manufacturers and wholesalers, but the growth was about in line with the advance in sales.

Private housing starts declined to an annual rate of about 1.8 million units in June, the latest month for which data were available. This was close to the average rate that had prevailed since late 1976. In the second quarter as a whole, single-family starts—at an annual rate of 1.4 million units—were the highest for any quarter on record. Mortgage lending activity had remained strong in recent months; the rate of growth in mortgage debt outstanding was estimated to have been at a record during the second quarter, and it appeared to have risen somewhat further in July.

New orders for nondefense capital goods increased by about 5 per cent in June. Contract awards for commercial and industrial buildings—as measured in terms of floor space—edged off from the high May level; for the second quarter as a whole, however, they were 4.5 per cent above their level in the first quarter.

The index of average hourly earnings for private nonfarm production workers rose in July at an annual rate of 6½ per cent—close to the average rise over the preceding 18 months. Major collective bargaining settlements in the first half of 1977 provided for first-year wage increases averaging 8.0 per cent, compared with an average of 8.4 per cent under contracts negotiated in 1976. On the other hand, compensation per hour in the private nonfarm business sector rose at an annual rate of about 9.5 per cent in the first half, a little faster than in 1976.

The wholesale price index for all commodities, which had declined in June, was about unchanged in July. Average prices for farm products and foods—after having risen sharply in the early months of 1977—declined for the second successive month. Average prices for industrial commodities continued to advance but at a more moderate pace than in the earlier months of the year.

The consumer price index in June rose 0.6 per cent—about the same as in the preceding 3 months. While the advance for commodities other than foods slowed to 0.2 per cent, the increases for foods and for services edged up to 0.8 per cent.

By the time of this Committee meeting, the average value of the dollar against leading foreign currencies had recoverd more than 1 per cent from the low reached on July 25, but it was still below its late-June level. The strengthening of the dollar since late July reflected reaction in the foreign exchange markets to statements by U.S. officials indicating the importance that the United States attaches to maintaining the strength of the dollar, and also to the recent relative rise in interest rates on dollar-denominated assets. The dollar appreciated most sharply against the German mark and the Japanese yen. It depreciated against sterling, however, after authorities in the United Kingdom elected to discontinue their earlier policy of maintaining a target ceiling rate for sterling defined exclusively in terms of the U.S. dollar.

The U.S. trade deficit rose sharply in June as imports rebounded from the somewhat reduced level in May and exports declined. For the second quarter as a whole, the trade deficit as measured in the international accounts was at an annual rate of $31 billion.

At U.S. commercial banks, total credit expanded slightly faster in July than in June, but the pace in July remained below the average for the first half of the year. Holdings by banks of U.S. Treasury securities declined sharply in July, while their holdings of other securities increased moderately. Total loans rose more rapidly than in any other month since last October, reflecting strength in most major categories. However, business loans grew considerably less than in June, when corporations had borrowed to finance an unusually large volume of Federal income tax payments. Also, the outstanding volume of commercial paper issued by nonfinancial corporations declined slightly in July.

Growth in the narrowly defined money stock (M-1) accelerated to an annual rate of about 18 per cent in July. While much of the increase apparently was temporary, part seemed to reflect rising transactions demands for money. For the 7 months ending with July, M-1 grew at an annual rate of nearly 8 per cent.

Growth in the more broadly defined measures of money (M-2 and M-3) also accelerated sharply in July, to annual rates of about 17 and

16 per cent, respectively. The high rates of expansion in these measures were due primarily to the large increases in *M*-1, but inflows of the time and savings deposits included in *M*-2 and *M*-3 also picked up from their reduced rates in June. For the 7 months ending with July, *M*-2 and *M*-3 grew at annual rates of 10 and 11 per cent, respectively.

At its July meeting the Committee had decided that growth in *M*-1 and *M*-2 in the July–August period within ranges of 3½ to 7½ per cent and 6½ to 10½ per cent, respectively, would be appropriate. It had judged that these growth rates were likely to be associated with a weekly-average Federal funds rate of about 5⅜ per cent. The Committee had agreed that if growth rates in the aggregates over the 2-month period appeared to be deviating significantly from the midpoints of the indicated ranges, the operational objective for the weekly-average Federal funds rate should be modified in an orderly fashion within a range of 5¼ to 5¾ per cent.

Data that had become available in the days immediately following the July meeting suggested that over the July–August period both *M*-1 and *M*-2 would grow at rates in the upper parts of their specified ranges. These data were considered especially tentative, however, because unusual patterns in the figures received just after the power failure in New York City suggested that the failure might have introduced statistical distortions. The System Account Manager, therefore, continued to seek a Federal funds rate of about 5⅜ per cent. Later, however, when new data not only confirmed the initial signs of strength but also suggested that growth in the aggregates would be somewhat above the upper limits of the specified ranges, System operations were directed at achieving a higher Federal funds rate. During the statement week ending August 3, the funds rate averaged 5.80 per cent, approximately equal to the 5¾ per cent upper limit of the Committee's range.

Information that became available on August 4 suggested that the growth rates in the aggregates in the July–August period would be well above the ranges specified by the Committee, and on August 5 the Committee voted to increase the upper limit of the range for the funds rate to 6 per cent. It was understood that the Manager would use this additional leeway very gradually and only in the event that the aggregates continued to register values far in excess of the Committee's objectives. When such strength in the aggregates did persist, the Account Manager aimed at a Federal funds rate of about 6 per cent.

In markets for short- and medium-term securities, interest rates generally rose by ⅜ to ½ of a percentage point over the inter-meeting period. Yields on corporate and municipal bonds, however, showed little change over the period, and those on Treasury bonds posted only small advances.

During the 4 weeks of the inter-meeting period the U.S. Treasury raised about $4.0 billion of new money in securities markets, including $3.0 billion obtained in connection with its mid-August refinancing. Issues offered in the refinancing consisted of $3.0 billion of 3-year notes, $2.25 billion of 7-year notes, and $1.0 billion of (reopened) 29½ year bonds.

In July the volume of new publicly offered corporate bonds was slightly larger than in June and was above the monthly average for the second quarter. Offerings by industrial issuers—which had been exceptionally low in June—were at their highest level since December 1976, while new issues by utilities were below their advanced second-quarter pace. The volume of new State and local government bonds dropped more than seasonally during July, following a record supply of new issues both in June and for the second quarter as a whole. The heavy volume of new municipal offerings in recent months included a large number of advance refundings, as well as issues offered earlier than originally planned, apparently in the expectation that interest costs would rise later in the year.

Average prices of common stocks traded on the New York Stock Exchange declined during the inter-meeting period—in the case of one widely used index, to the lowest level since early 1976. Indexes of issues traded on the American Stock Exchange and over the counter also declined somewhat during the period, but they remained near their highest levels since 1973.

In markets for home mortgages, average interest rates on new commitments for conventional loans were relatively stable in the weeks just prior to this meeting, following small advances in late June and early July. Meanwhile, yields in the secondary market for home mortgages generally edged higher.

In the Committee's discussion of the economic situation, the members agreed that the expansion was likely to continue for some time. Several members suggested that the apparent moderation in economic growth from the rapid pace of the first half of the year was an essentially healthy adjustment; continued expansion at the earlier pace might well have led in time to a reacceleration of inflation and created price distortions that would have brought the expansion to an early end. It was observed that the economy was experiencing few imbalances at present and that needed adjustments in business inventories were being made promptly. The view was widespread among members that the upward trend of business capital investment would persist and very likely would strengthen.

While the members agreed that the economic expansion was likely to continue, they differed regarding its probable profile over the quarters ahead. Specifically, several members thought that the rate of economic growth was likely to be slower in the second half of 1977, and faster in the first half of 1978, than suggested by the staff projections. With respect to the second half of 1977, these members thought that spending on consumer goods and housing would rise less than indicated, and they found it difficult to identify offsetting sources of strength. For the longer run, however, they believed that economic growth would be fostered by sustained increases in business capital outlays and in spending by Federal and State and local governments. It was suggested that such a pattern might well be associated with a slower rate of price advance than that projected by the staff.

Other members of the Committee indicated that, while they expected more strength in the economy in the second half of 1977 than their colleagues did, they were not persuaded that the rate of growth would rise after the turn of the year. In this connection they identified several potential problems. One was the possibility that the recent upcreep in unit costs of production relative to selling prices might continue, with a consequent further narrowing of profit margins. It was noted that when this process had developed in the past, an economic downturn had typically occurred within 1 to 2 years. Other potential problems mentioned were the recent rapid increase in consumer credit and the evidence of speculation in some real estate markets. One member of the Committee, in commenting on the erosion of profit margins, observed that businesses did not appear to be pressing as actively as they might to hold labor costs down, fearing the impact of strikes and assuming that inflation would continue.

In the discussion of the outlook for business investment, it was noted that outlays were falling short of what might have been expected on the basis of past cyclical expansions, even in industries where the need for increased plant and equipment spending was clearly evident. A number of members expressed the view that narrow profit margins were tending to constrain investment spending. One member offered the hypothesis that a more typical increase in such spending might continue to be delayed until profit margins were widened by increases in product prices as capacity limits were approached. Among other factors mentioned as inhibiting investment was the unusual degree of uncertainty prevailing in business circles, particularly with respect to public policy on such matters as inflation control, energy, and tax reform.

Several members of the Committee cited the recent declines in stock prices as evidence of uncertainties about the prospects for corporate profits. In the discussion Committee members identified other factors they believed might help to account for some of the weakness in stock prices. One was the restructuring of investment portfolios being undertaken by many institutional investors to increase emphasis on fixed-rate instruments. Another was efforts by stockholders to realize accumulated capital gains, as a precaution against the possible enactment of legislation limiting the special tax treatment of capital gains.

At its July meeting the Committee had agreed that from the second quarter of 1977 to the second quarter of 1978 average rates of growth in the monetary aggregates within the following ranges appeared to be consistent with broad economic aims: *M*-1, 4 to 6½ per cent; *M*-2, 7 to 9½ per cent; and *M*-3, 8½ to 11 per cent. The associated range for the rate of growth in commercial bank credit was 7 to 10 per cent. It was agreed that the longer-run ranges, as well as the particular aggregates for which such ranges were specified, would be subject to review and modification at subsequent meetings.

In considering policy for the period immediately ahead, members of the Committee noted that growth in the monetary aggregates was expected to slow markedly in August and September. Because of the sharp increases in July, however, expansion in the third quarter as a whole—particularly in *M*-1—would be relatively rapid. It was observed that considerably slower growth rates would be needed in subsequent quarters if monetary growth for the year ending with the second quarter of 1978 was to be kept within the ranges that the Committee had decided upon in July.

While the views of members on appropriate short-run policy did not differ greatly, a number of members placed particular stress on the need to resist further sizable increases in the monetary aggregates, noting that continued rapid growth would foster inflationary expectations and weakening of confidence within the business community. Other members put more emphasis on the sizable increase that had occurred since late April in the Federal funds rate and other short-term interest rates, and some expressed reluctance to seek further tightening in the money market at a time when growth in economic activity was showing signs of moderating. These members suggested that, in the absence of unusual behavior in the monetary aggregates, it would be desirable to maintain relatively stable conditions in the money market for the time being.

The members agreed that, in view of the July bulge in the monetary aggregates, no easing of money market conditions should be sought in the coming interval even if growth rates in the aggregates during the August–September period appeared to be quite low. For *M*-1, most members favored a growth range for the August–September period of 0 to 5 per cent or 0 to 6 per cent; a few preferred slightly higher ranges. For *M*-2, most members favored a range of 3 to 8 per cent.

All members of the Committee favored directing inter-meeting operations initially toward the objective of maintaining the Federal funds rate at about the prevailing level of 6 per cent. Views differed somewhat with respect to the degree of leeway for operations during the inter-meeting period in the event that the aggregates appeared to be deviating significantly from the midpoints of the specified ranges, but most members preferred ranges for the funds rate of 5¾ to 6¼ per cent or 5¾ to 6½ per cent. Some members suggested that more weight than usual should be placed on money market conditions in the directive to be issued to the Federal Reserve Bank of New York, but a majority preferred to continue to stress the monetary aggregates.

At the conclusion of the discussion the Committee decided that growth in *M*-1 and *M*-2 over the August–September period at annual rates within ranges of 0 to 5 per cent and 3 to 8 per cent, respectively, would be appropriate. It was understood that in assessing the behavior of these aggregates the Manager should continue to give approximately equal weight to the behavior of *M*-1 and *M*-2.

It was the Committee's judgment that such growth rates were likely to be associated with a weekly-average Federal funds rate of about 6 per cent. The members agreed that if growth rates of the aggregates over the 2-month period appeared to be deviating significantly from the midpoints of the indicated ranges, the operational objective for the weekly-average Federal funds rate should be modified in an orderly fashion within a range of 5¾ to 6¼ per cent. As customary, it was understood that the Chairman might call upon the Committee to consider the need for supplementary instructions before the next scheduled meeting if significant inconsistencies appeared to be developing among the Committee's various objectives.

The following domestic policy directive was issued to the Federal Reserve Bank of New York:

> The information reviewed at this meeting suggests that real output of goods and services is growing less rapidly in the current quarter than in the second quarter. In July industrial output rose a little less than in June. The rise in payroll employment in nonfarm establishments was substantial. According to the household survey data, total nonagricultural employment was unchanged and the unemployment rate edged down to 6.9 per cent, the same as in May. The dollar value of total retail sales rose somewhat, after 2 months of decline. The wholesale price index for all commodities was about unchanged in July; average prices of farm products and foods declined sharply further, and average prices of industrial commodities continued to rise at a more moderate pace than in the early months of 1977. The index of average hourly earnings has continued to advance at about the same pace that it had on the average during 1976.
>
> The weighted average exchange rate for the dollar against leading foreign currencies has recovered more than 1 per cent from the low point reached in late July. In June the U.S. foreign trade deficit rose sharply, and the deficit was larger for the second quarter as a whole than for the first.
>
> The increase in *M*-1 was exceptionally large in July. Inflows to banks of the time and savings deposits included in the broader monetary aggregates strengthened, and growth in *M*-2 and *M*-3 also accelerated sharply. Business short-term borrowing moderated from

the rapid pace in June. Interest rates on short- and intermediate-term market instruments have risen appreciably in recent weeks, while yields on longer-term bonds have changed little.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster bank reserve and other financial conditions that will encourage continued economic expansion and help resist inflationary pressures, while contributing to a sustainable pattern of international transactions.

At its meeting on July 19, 1977, the Committee agreed that growth of *M*-1, *M*-2, and *M*-3 within ranges of 4 to 6½ per cent, 7 to 9½ per cent, and 8½ to 11 per cent, respectively, from the second quarter of 1977 to the second quarter of 1978 appears to be consistent with these objectives. These ranges are subject to reconsideration at any time as conditions warrant.

The Committee seeks to encourage near-term rates of growth in *M*-1 and *M*-2 on a path believed to be reasonably consistent with the longer-run ranges for monetary aggregates cited in the preceding paragraph. Specifically, at present, it expects the annual growth rates over the August-September period to be within the ranges of 0 to 5 per cent for *M*-1 and 3 to 8 per cent for *M*-2. In the judgment of the Committee such growth rates are likely to be associated with a weekly-average Federal funds rate of about 6 per cent. If, giving approximately equal weight to *M*-1 and *M*-2, it appears that growth rates over the 2-month period will deviate significantly from the midpoints of the indicated ranges, the operational objective for the Federal funds rate shall be modified in an orderly fashion within a range of 5¾ to 6¼ per cent.

If it appears during the period before the next meeting that the operating constraints specified above are proving to be significantly inconsistent, the Manager is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

> Votes for this action: Messrs. Burns, Volcker, Coldwell, Gardner, Guffey, Jackson, Lilly, Mayo, Morris, Partee, Roos, and Wallich. Votes against this action: None.

* * * * *

Records of policy actions taken by the Federal Open Market Committee at each meeting, in the form in which they will appear in the Board's *Annual Report*, are released about a month after the meeting and are subsequently published in the BULLETIN.

Law Department

Statutes, regulations, interpretations, and decisions

MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM; BANK HOLDING COMPANIES

The Board of Governors has amended its Regulations H and Y to provide for notices by State member bank clearing agencies of disciplinary sanctions and for stays and appeals of such actions.

Effective October 3, 1977, section 208.8 is amended by adding the following new paragraphs (g), (h), and (i) as follows:

SECTION 208.8—BANKING PRACTICES

* * * * *

(g) STATE MEMBER BANKS AS REGISTERED CLEARING AGENCIES

(1) *Requirement of notice.* Any State member bank or any of its subsidiaries that is a registered clearing agency pursuant to Section 17A(b) of the Securities Exchange Act of 1934 (the "Act"), which imposes any final disciplinary sanction on any participant therein, denies participation to any applicant or prohibits or limits any person in respect to access to services offered by such registered clearing agency, shall file with the Board and the appropriate regulatory agency (if other than the Board) for a participant or applicant notice thereof in the manner prescribed herein.

(2) *Notice of final disciplinary action.* Any registered clearing agency for which the Board is the appropriate regulatory agency that takes any final disciplinary action with respect to any participant shall promptly file a notice thereof with the Board in accordance with subparagraph (3) of this paragraph. For the purposes of this paragraph "final disciplinary action" shall mean the imposition of any disciplinary sanction pursuant to § 17A(b)(3)(G) of the Act or other action of a registered clearing agency which, after notice and opportunity for hearing, results in any final disposition of charges of:

(A) one or more violations of the rules of such registered clearing agency; or

(B) acts or practices constituting a statutory disqualification of a type defined in subparagraph (D) or (E) (except prior convictions) of Section 3(a)(39) of the Act.

However, if a registered clearing agency fee schedule specifies certain charges for errors made by its participants in giving instructions to the registered clearing agency which are *de minimis* on a per error basis and whose purpose is in part to provide revenues to the registered clearing agency to compensate it for effort expended in beginning to process an erroneous instruction, such error charges shall not be considered a "final disciplinary action" for purposes of this paragraph.

(3) *Content of notice required by subparagraph (2).* Any notice filed pursuant to subparagraph (2) of this paragraph shall consist of the following, as appropriate:

(A) the name of the respondent concerned together with the respondent's last known address as reflected on the records of the registered clearing agency and the name of the person, committee, or other organizational unit that brought the charges involved; except that, as to any respondent who has been found not to have violated a provision covered by a charge, identifying information with respect to such person may be deleted insofar as the notice reports the disposition of that charge and, prior to the filing of the notice, the respondent does not request that identifying information be included in the notice;

(B) a statement describing the investigative or other origin of the action;

(C) as charged in the proceeding, the specific provision or provisions of the rules of the registered clearing agency violated by such person or the statutory disqualification referred to in clause (B) of subparagraph (2) of this paragraph and a statement describing the answer of the respondent to the charges;

(D) a statement setting forth findings of fact with respect to any act or practice in which such respondent was charged with having engaged in or omitted; the conclusion of the registered clearing agency as to whether such respondent violated any rule or was subject to a statutory disqualification as charged; and a statement of the registered clearing agency in support of its resolution of the principal issues raised in the proceedings;

(E) a statement describing any sanction imposed, the reasons therefor, and the date upon which such sanction has or will become effective; and

(F) such other matters as the registered clearing agency may deem relevant.

(4) *Notice of final denial, prohibition, termination or limitation based on qualification or administrative rules.* Any registered clearing agency for which the Board is the appropriate regulatory agency that takes any final action which denies participation to, or conditions the participation of, any person or prohibits or limits any person with respect to access to services offered by the clearing agency based on an alleged failure of such person to:

(A) comply with the qualification standards prescribed by the rules of such registered clearing agency pursuant to Section 17A(b)(4)(B) of the Act; or

(B) comply with any administrative requirements of such registered clearing agency (including failure to pay entry or other dues or fees or to file prescribed forms or reports) not involving charges of violations which may lead to a disciplinary sanction

shall not be considered a "final disciplinary action" for purposes of subparagraph (2), but notice thereof shall be promptly filed with the Board and the appropriate regulatory agency (if other than the Board) for the affected person in accordance with subparagraph (5): provided however, that no such action shall be considered "final" pursuant to this subparagraph that results merely from a notice of such failure to the person affected, if such person has not sought an adjudication of the matter, including a hearing, or otherwise exhausted his administrative remedies within the registered clearing agency with respect to such a matter.

(5) *Content of notice required by subparagraph* (4). Any notice filed pursuant to subparagraph (4) of this paragraph shall consist of the following, as appropriate:

(A) the name of each person concerned together with each such person's last known address as reflected in the records of the registered clearing agency;

(B) the specific grounds upon which the action of the registered clearing agency was based, and a statement describing the answer of the person concerned;

(C) a statement setting forth findings of fact and conclusions as to each alleged failure of the person to comply with qualification standards, or comply with administrative obligations, and a statement of the registered clearing agency in support of the resolution of the principal issues raised in the proceeding;

(D) the date upon which such action has or will become effective; and

(E) such other matters as the registered clearing agency deems relevant.

(6) *Notice of final action based upon prior adjudicated statutory disqualifications.* Any registered clearing agency for which the Board is the appropriate regulatory agency that takes any final action with respect to any person that:

(A) denies or conditions participation to any person or prohibits or limits access to services offered by such registered clearing agency; and

(B) is based upon a statutory disqualification of a type defined in subparagraph (A), (B) or (C) of Section 3(a) (39) of the Act or consisting of a prior conviction as described in subparagraph (E) of said Section 3(a) (39)

shall promptly file notice thereof with the Board and the appropriate regulatory agency (if other than the Board) for the affected person in accordance with subparagraph (7) of this paragraph; provided, however, that no such action shall be considered "final" pursuant to this subparagraph which results merely from a notice of such failure to the person affected, if such person has not sought an adjudication of the matter, including a hearing, or otherwise exhausted his administrative remedies within the registered clearing agency with respect to such a matter.

(7) *Content of notice required by subparagraph* (6). Any notice filed pursuant to subparagraph (6) of this paragraph shall consist of the following, as appropriate:

(A) the name of the person concerned, together with each such person's last known address as reflected in the records of the registered clearing agency;

(B) a statement setting forth the principal issues raised, the answer of any person concerned, and a statement of the registered clearing agency in support of its resolution of the principal issues raised in the proceeding;

(C) any description furnished by or on behalf of the person concerned of the activities engaged in by the person since the adjudication upon which the disqualification is based;

(D) a copy of the order or decision of the court, the appropriate regulatory agency or the self-regulatory organization which adjudicated the matter giving rise to such statutory disqualification;

(E) the nature of the action taken and the date upon which such action is to be made effective; and

(F) such other matters as the registered clearing agency deems relevant.

(8) *Notice of summary suspension of participation.* Any registered clearing agency for which the Board is the appropriate regulatory agency that summarily suspends or closes the accounts of a participant pursuant to the provisions of Section 17A(b)(5)(C) of the Act, shall within one business day after the effectiveness of such action file notice thereof with the Board and the appropriate regulatory agency for the participant (if other than the Board) of such action in accordance with subparagraph (9) of this paragraph.

(9) *Content of notice of summary suspension of participation.* Any notice pursuant to subparagraph (8) of this paragraph shall contain at least the following information, as appropriate:

(A) the name of the participant concerned together with the participant's last known address as reflected in the records of the registered clearing agency;

(B) the date upon which such summary action has or will become effective;

(C) if such summary action is based upon the provisions of Section 17A(b)(5)(C)(i) of the Act, a copy of the relevant order or decision of the self-regulatory organization if available to the registered clearing agency;

(D) if such summary action is based upon the provisions of Section 17A(b)(5)(C)(ii) of the Act, a statement describing the default of any delivery of funds or securities to the registered clearing agency.

(E) if such summary action is based upon the provisions of Section 17A(b)(5)(C)(iii) of the Act, a statement describing the financial or operating difficulty of the participant based upon which the registered clearing agency determined that such suspension and closing of accounts was necessary for the protection of the clearing agency, its participants, creditors or investors;

(F) the nature and effective date of the suspension; and

(G) such other matters as the registered clearing agency deems relevant.

(h) APPLICATIONS FOR STAYS OF DISCIPLINARY SANCTIONS OR SUMMARY SUSPENSIONS BY A REGISTERED CLEARING AGENCY

If a registered clearing agency for which the Securities and Exchange Commission is not the appropriate regulatory agency imposes any final disciplinary sanction pursuant to Section 17A(b)(3)(G) of the Act, or summarily suspends or limits or prohibits access pursuant to Section 17A(b)(5)(C) of the Act, any participant aggrieved thereby for which the Board is the appropriate regulatory agency may file with the Board, by telegram or otherwise, a request for a stay of imposition of such action. Such request shall be in writing and shall include a statement as to why such stay should be granted.

(i) APPLICATION FOR REVIEW OF FINAL DISCIPLINARY SANCTIONS, DENIALS OF PARTICIPATION OR PROHIBITIONS OR LIMITATIONS OF ACCESS TO SERVICES IMPOSED BY REGISTERED CLEARING AGENCIES

(1) *Scope.* Proceedings on an application to the Board under Section 19(d)(2) of the Act by a person that is subject to the Board's jurisdiction for review of any action by a registered clearing agency for which the Securities and Exchange Commission is not the appropriate regulatory agency shall be governed by this paragraph.

(2) *Procedure.*

(A) An application for review pursuant to Section 19(d)(2) of the Act shall be filed with the Board within 30 days after notice is filed by the registered clearing agency pursuant to Section 19(d)(1) of the Act and received by the aggrieved person applying for review, or within such longer period as the Board may determine. The Secretary of the Board shall serve a copy of the application on the registered clearing agency, which shall, within ten days after receipt of the application, certify and file with the Board one copy of the record upon which the action complained was taken, together with three copies of an index to such a record. The Secretary shall serve upon the parties copies of such index and any papers subsequently filed.

(B) Within 20 days after receipt of a copy of the index, the applicant shall file a brief or other statement in support of his application which shall state the specific grounds on which the application is based, the particular findings of the registered clearing agency to which objection is taken, and the relief sought. Any application not perfected by such timely brief or statement may be dismissed as abandoned.

(C) Within 20 days after receipt of the applicant's brief or statement the registered clearing agency may file an answer thereto, and within 10 days of receipt of any such answer the applicant may file a reply. Any such papers not filed within the time provided by items (A), (B), or (C) will not be received except upon special permission of the Board.

(D) On its own motion, the Board may direct that the record under review be supplemented with such additional evidence as it may deem relevant. Nevertheless, the registered clearing agency and persons who may be aggrieved by such clearing agency's action shall not be entitled to adduce evidence not presented in the proceedings before the registered clearing agency unless it is shown to the satisfaction of the Board that such additional evidence is material and that there were reasonable grounds for failure to present such evidence in the proceedings before the registered clearing agency. Any request for leave to adduce additional evidence shall be filed promptly so as not to delay the disposition of the proceeding.

(E) Oral argument before the Board may be requested by the applicant or the registered clearing agency as follows:

(i) by the applicant with his brief or statement or within 10 days after receipt of the registered clearing agency's answer, or

(ii) by the registered clearing agency with its answer.

The Board, in its discretion, may grant or deny any request for oral argument and, where it deems it appropriate to do so, the Board will consider an application on the basis of the papers filed by the parties, without oral argument.

(F) The Board's Rules of Practice for Formal Hearings shall apply to review proceedings under this rule to the extent that they are not inconsistent with this rule. Attention is directed particularly to Section 263.21 of the Rules of Practice relating to formal requirements as to the papers filed.

Effective October 3, 1977, section 225.5 is amended by adding the following new paragraphs (d) and (e) as follows:

SECTION 225.5—ADMINISTRATION

* * * * *

(d) APPLICATIONS FOR STAYS OF DISCIPLINARY SANCTIONS OR SUMMARY SUSPENSIONS BY A REGISTERED CLEARING AGENCY

If a registered clearing agency for which the Securities and Exchange Commission is not the appropriate regulatory agency, imposes any final disciplinary sanction pursuant to Section 17A(b)(3)(G) of the Act, or summarily suspends or limits or prohibits access pursuant to Section 17A(b)(5)(C) of the Act, any participant aggrieved thereby for which the Board is the appropriate regulatory agency may file with the Board, by telegram or otherwise, a request for a stay of imposition of such action. Such request shall be in writing and shall include a statement as to why such stay should be granted.

(e) APPLICATIONS FOR REVIEW OF FINAL DISCIPLINARY SANCTIONS, DENIALS OF PARTICIPATION OR PROHIBITIONS OR LIMITATIONS OF ACCESS TO SERVICES IMPOSED BY REGISTERED CLEARING AGENCIES

(1) *Scope.* Proceedings on an application to the Board under Section 19(d)(2) of the Act by a person that is subject to the Board's jurisdiction for review of any action by a registered clearing agency for which the Securities and Exchange Commission is not the appropriate regulatory agency shall be governed by this paragraph.

(2) *Procedure.*

(A) An application for review pursuant to Section 19(d)(2) of the Act shall be filed with the Board within 30 days after notice is filed by the registered clearing agency pursuant to Section 19(d)(1) of the Act and received by the aggrieved person applying for review, or within such longer period as the Board may determine. The Secretary of the Board shall serve a copy of the application on the registered clearing agency, which shall, within ten days after receipt of the application, certify and file with the Board one copy of the record upon which the action complained was taken, together with three copies of an index to such record. The Secretary shall serve upon the parties copies of such index and any papers subsequently filed.

(B) Within 20 days after receipt of a copy of the index, the applicant shall file a brief or other statement in support of his application which shall state the specific grounds on which the application is based, the particular findings of the registered clearing agency to which objection is taken, and the relief sought. Any application not perfected by such timely brief or statement may be dismissed as abandoned.

(C) Within 20 days after receipt of the applicant's brief or statement the registered clearing agency may file an answer thereto, and within 10 days of receipt of any such answer the applicant may file a reply. Any such papers not filed within the time provided by items (A), (B), or (C) will not be received except upon special permission of the Board.

(D) On its own motion, the Board may direct that the record under review be supplemented with such additional evidence as it may deem relevant. Nevertheless, the registered clearing agency and persons who may be aggrieved by such clearing agency's action shall not be entitled to adduce evidence not presented in the proceedings before the registered clearing agency unless it is shown to the satisfaction of the Board that such additional evidence is material and that there were reasonable grounds for failure to present such evidence in the proceedings before the registered clearing agency. Any request for leave to adduce additional evidence shall be filed promptly so as not to delay the disposition of the proceeding.

(E) Oral argument before the Board may be requested by the applicant or the registered clearing agency as follows:

(i) by the applicant with his brief or statement or within 10 days after receipt of the registered clearing agency's answer, or

(ii) by the registered clearing agency with its answer.

The Board, in its discretion, may grant or deny any request for oral argument and, where it deems it appropriate to do so, the Board will consider an application on the basis of the papers filed by the parties, without oral argument.

(F) The Board's Rules of Practice for Formal Hearings shall apply to review proceedings under this rule to the extent that they are not inconsistent with this rule. Attention is directed particularly to Section 263.21 of the Rules of Practice relating to formal requirements as to papers filed.

RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors has delegated to the Secretary of the Board authority to permit member banks to waive the penalty for early withdrawal of a time deposit in § 217.4(d) of Regulation Q for depositors suffering disaster-related losses in areas declared a major disaster area by the President.

Effective September 27, 1977, a new paragraph 265.2(a)(18) is added to read as follows:

SECTION 265.2—SPECIFIC FUNCTIONS DELEGATED TO BOARD EMPLOYEES AND TO FEDERAL RESERVE BANKS

(a) The Secretary of the Board (or, in the Secretary's absence, the Acting Secretary) is authorized:

* * * * *

(18) Under the provisions of section 19(j) of the Federal Reserve Act (12 U.S.C. § 371b) and §§ 217.4(a) and (d) of Regulation Q (12 CFR §§ 217.4(a) and (d)) to permit member banks to waive the penalty for early withdrawal of a time deposit in § 217.4(d) if all of the following conditions are met:

(1) The President of the United States declares an area a major disaster area pursuant to section 301 of the Disaster Relief Act of 1974 (42 U.S.C. § 5141) and Executive Order No. 11795 of July 11, 1974.

(2) A waiver is limited in effectiveness to depositors suffering disaster-related losses in the officially designated disaster area.

(3) The appropriate Reserve Bank recommends approval.

(4) All relevant divisions of the Board's staff recommend approval.

BANK HOLDING COMPANY AND BANK MERGER ORDERS ISSUED BY THE BOARD OF GOVERNORS

ORDERS UNDER SECTION 3 OF BANK HOLDING COMPANY ACT

Daniels Insurance Agency, Inc., Hobbs, New Mexico

Order Approving Acquisition of Bank Shares

Daniels Insurance Agency, Inc., Hobbs, New Mexico, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to exercise rights to acquire voting shares of First National Bank of Lea County, Hobbs, New Mexico ("Bank"). As a result of the exercise of these rights, Applicant would continue to hold directly or indirectly 38.5 per cent of the voting shares of Bank. Applicant has also applied to retain 6,221 shares of Bank previously acquired without prior approval of the Board. The shares acquired without prior Board approval represent 4.25 per cent of Bank's voting shares.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Bank, the largest of three banks in the relevant banking market, holds deposits of approximately $96.9 million, representing 44.2 per cent of the total deposits in commercial banks in the market. Applicant presently owns directly or indirectly 38.5 per cent of the voting shares of Bank.[2] In view of the fact that Applicant presently controls Bank, consummation of the proposal would not have any adverse effect on existing or potential competition, nor would it increase the concentration of banking resources or have an adverse effect on other banks in the area. Competitive considerations, therefore, are consistent with approval of the application.

The financial and managerial resources and future prospects of Applicant appear favorable. The same considerations with respect to Bank are regarded as generally satisfactory. Thus, the banking factors with respect to both Applicant and Bank are consistent with approval of the application. Although there will be no immediate increase in the services offered by Bank as a result of the proposed transaction, and considerations relating to the convenience and needs of the community to be served are consistent with approval of the application. It is the Board's judgment that the proposed transaction would be consistent with the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above, but with the distinct understanding that Applicant will take steps to maintain compliance with the Act and the Board's regulations. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Dallas pursuant to delegated authority.

By order of the Board of Governors, effective September 19, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, Coldwell, Jackson, Partee, and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[1] The relevant banking market is approximated by Lea County.

[2] In 1975 and 1976 Applicant, without the prior approval of the Board, acquired additional shares of Bank. The 1975 acquisition involved the repurchase by Applicant of shares that it had recently sold to a third party. The 1976 acquisition consisted of Applicant's participation in a rights offering by Bank. As a result of these acquisitions, Applicant's interest in Bank increased by less than one per cent. Prior to 1973 Applicant owned more than 50 per cent of the voting shares of Bank. At that time, because it owned a majority of the voting shares of Bank, Applicant could have acquired additional shares of Bank without the prior approval of the Board, in view of § 3(a)(B) of the Act. In 1973 Applicant's interest in Bank was reduced to less than 50 per cent. It appears that at the time that it made the above acquisitions, Applicant mistakenly believed that § 3(a)(B) was still available to it.

Applicant's acquisition of additional shares of Bank without prior Board approval violated the Act. It appears, however, that such violations resulted from a misunderstanding of the applicability of § 3(a)(B) of the Act and were inadvertent. The Board has scrutinized the underlying facts surrounding the acquisition of shares of Bank without the Board's prior approval. In particular, the Board notes that Applicant has taken prompt action to bring its investment in Bank into conformity with the Act and has taken steps to insure that such violations will not occur in the future. The Board is of the opinion that the above violations, in view of the facts surrounding them and the entire record on this application, do not reflect so adversely on management of Applicant as to warrant denial of the subject application.

DETROITBANK Corporation,
Detroit, Michigan

Order Approving Merger of Bank Holding Companies

DETROITBANK Corporation, Detroit, Michigan ("DETROITBANK"), a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to acquire all of the voting shares of the successor by merger to Lake Shore Financial Corporation, Muskegon, Michigan, and thereby indirectly acquire shares of Hackley Union National Bank and Trust Company of Muskegan, Muskegon, Michigan ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received including those of the United States Department of Justice and those of National Lumberman's Bank and Trust Company, Muskegon, Michigan ("Protestant"), in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

DETROITBANK controls six banks with aggregate deposits of $2.8 billion, representing 8.8 per cent of the total deposits in commercial banks in Michigan, and is the third largest banking organization in the State.[1] Consummation of the proposed merger would increase Applicant's share of deposits in commercial banks in Michigan by 0.6 per cent and would have no appreciable effect upon the concentration of banking resources in Michigan.

All but one of Applicant's subsidiary banks are located in the Detroit banking market, approximately 170 miles from Muskegon.[2] Approval of this application would not eliminate any significant amount of existing competition.

With respect to potential competition, the Department of Justice and Protestant have expressed the opinion that Applicant is a likely entrant into the market and that approval of the application would result in the elimination of potential competition and decrease the likelihood of the market becoming less concentrated in the future. While it appears that consummation of the proposal would result in some slight adverse effects on potential competition, for the reasons discussed below, the Board is unable to conclude that consummation of the proposal would result in a significant loss of potential competition.

Bank is the largest of six banking organizations in the Muskegon banking market.[3] Bank holds total deposits of $188 million, representing approximately 33.5 per cent of the total deposits in commercial banks in the Muskegon market. The Board has previously found that the Muskegon market, with the exception of the Norton Shores area, was not attractive for *de novo* entry.[4] Since that finding was made, an application for a charter for a *de novo* bank in Norton Shores has been filed with chartering authorities and, if that application is granted, the attractiveness of the Norton Shores area for *de novo* entry by others will be lessened.

Moreover, it appears that the overall Muskegon market continues to be generally unattractive for *de novo* entry. The deposits per banking office ratio for the Muskegon Standard Metropolitan Statistical Area is below the State average. Population of the Muskegon County portion of the market increased 0.2 per cent between 1970 and 1975, ranking fifteenth in population growth among the 17 Michigan counties with population in excess of 100,000. It is anticipated that Muskegon County's population growth will continue to lag behind that of the other Michigan counties at least until 1980. In view of the apparent lack of attractiveness of the Muskegon area for *de novo* entry,[5] particularly *vis-a-vis* other areas in Michigan in which Applicant is not currently represented, the Board is unable to conclude that Applicant is one of the most likely *de novo* entrants into the Muskegon area.

Of the six banks currently represented in the Muskegon market, three are affiliated with multi-

[1]Banking data are as of December 31, 1976.

[2]Applicant recently entered western Michigan by acquiring Kentwood Bank located 40 miles from Muskegon in a suburb of Grand Rapids. The application under the Bank Holding Company Act to acquire that bank was approved under delegated authority by the Federal Reserve Bank of Chicago on July 7, 1977. Kentwood Bank is not located in the relevant market, but rather competes in the adjacent Grand Rapids market. Bank derives only a nominal amount of deposits and loans from the Grand Rapids market.

[3]The Muskegon banking market, the relevant market, is approximated by all of Muskegon County, except for Casnovia Township, plus Grand Haven, Spring Lake, and Crockery Townships in Ottawa County.

[4]See Board's Order of March 26, 1975, denying application of Old Kent Financial Corporation, Grand Rapids, Michigan, 61 *Fed. Res. Bull.* 247 (1975) and Board's Order of January 25, 1974, denying application of Old Kent Financial Corporation, Grand Rapids, Michigan, 60 Federal Reserve BULLETIN 133 (1974).

[5]Applicant's subsidiary banks are barred by Michigan's restrictive branching law (Mich. Stat. Ann. § 23.710 (171)) from branching into Muskegon. However, Michigan law does not prohibit the formation of *de novo* banks by Applicant and it is this form of *de novo* entry referred to in the text.

bank holding companies.[6] While "foothold" entry into the market would be preferable to Applicant's acquisition of the largest bank in the market, only two possibilities exist for Applicant to acquire an established bank as a means of entry into the market and neither of those appears feasible. The two banks that might be available for acquisition are Protestant, the second largest bank in Muskegon, and a bank located in the town of Coopersville that is prohibited by Michigan law from branching into the city of Muskegon and conducts its operations primarily in the Grand Rapids banking market. The former would not constitute a true "foothold" entry in view of its size and market share. Acquisition of the latter would not be likely to produce any significant procompetitive benefit in the Muskegon market.

Considerations relating to the financial and managerial resources and future prospects of Bank, Applicant, and Applicant's subsidiaries are regarded as generally satisfactory. Although Applicant would incur some debt as a result of this acquisition, it appears that dividends from Bank would be sufficient to retire that debt.

Applicant has stated its intention to augment the services of Bank by providing equipment leasing, accounts receivable financing, international services, cash management services, money market services, and real estate trust services. Bank does not currently provide many of these services. In addition, affiliation with Applicant would increase bank's lending limits at a time when there appears to be an increasing demand by local industries for large loans. Thus, considerations relating to the convenience and needs of the community to be served lend weight toward approval of the application and outweigh any slight adverse competitive effects that may result from the proposal.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) 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 pursuant to delegated authority.

By order of the Board of Governors, effective September 1, 1977.

[6]A pending *de novo* charter application, if approved, would enable a fourth multibank holding company, Old Kent Financial Corporation, Grand Rapids, Michigan, to enter this market and would thus increase the number of banking organizations in the market from six to seven.

Voting for this action: Chairman Burns and Governors Caldwell, Partee, and Lilly. Voting against this action: Governor Wallich. Absent and not voting: Governors Gardner and Jackson.

(Signed) ROBERT E. MATTHEWS,
[SEAL] *Assistant Secretary of the Board.*

Dissenting Statement of Governor Wallich

I would deny the application of DETROITBANK to merge with Lake Shore Financial Corporation, Muskegon, Michigan and thereby acquire Hackley Union National Bank and Trust Company of Muskegon ("Bank"), Muskegon, Michigan. My reasons are those that were set forth in my Dissenting Statements in the recent Texas Commerce Bancshares, Inc. and the First City Bancorporation of Texas, Inc. decisions.[1]

My dissent in this case rests again on the adverse effects of this proposal on potential competition. Bank is the largest of six commercial banking organizations in the concentrated Muskegon market, with 33.5 per cent of the commercial bank deposits in the market. I regard DETROITBANK as one of the most likely potential entrants into the market given the financial resources and expressed intent of Applicant to expand into western Michigan. So long as Applicant remains poised in the "wings" of the Muskegon market, this potential competition exerts a beneficial effect on the Muskegon market. If and when this "wings" effect is eliminated by actual enry of Applicant into the market, it should be by a route that offsets elimination of this effect by deconcentrating that market, through *de novo* entry or by means of a "foothold acquisition."

In my opinion, this application represents a continuation of the trend established in the Texas decisions noted above. The majority is in danger of being misinterpreted as indicating that *de novo* entry or foothold entry into highly concentrated markets is no longer expected of those organiza-

[1]See the Dissenting Statements of Governor Wallich accompanying the Board Orders approving the applications of Texas Commerce Bancshares, Inc., Houston, Texas to merge with The BanCapital Financial Corporation, Austin, Texas (63 Federal Reserve BULLETIN 500 (1977)) and First City Bancorporation of Texas, Inc., Houston, Texas to acquire City National Bank of Austin, Austin, Texas (63 Federal Reserve BULLETIN 674 (1977)).

tions that are most capable of entering new markets in that manner. Such an approach would increase the disparity in size between the largest banking organizations of a State and the rest of the State's organizations, leading to an increase in concentration ratios and a decrease in the number of effective competitors and competition within the State.

The present decision is an unfortunate outgrowth of the Board's Texas Commerce decision. That decision, I believe, had an anticompetitive effect upon the Austin market and the structure of commercial banking in Texas. Approval of this application may well have the same effects upon the Muskegon market and the structure of commercial banking in Michigan.

For the foregoing reasons, I would deny this application.

First City Bancorporation of Texas, Inc.
Houston, Texas

Order Approving Acquisition of Bank

First City Bancorporation of Texas, Inc., Houston, Texas ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 per cent (less directors' qualifying shares) of the voting shares of the successor by merger to The City National Bank of Bryan, Bryan, Texas ("Bank"). The bank into which Bank is to be merged has no significance except as a means to facilitate the acquisition of the voting shares of Bank. Accordingly, the proposed acquisition of the successor organization is treated herein as the proposed acquisition of the shares of Bank.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the largest banking organization in Texas, controls 28 banks with aggregate deposits of $4.14 billion, representing 7.81 per cent of total deposits in commercial banks in the State.[1] Acquisition of Bank, which holds deposits of $54.8 million, would increase Applicant's share of total deposits in commercial banks in the State by 0.1 per cent.

Bank is the second largest of six banks in the relevant geographic market.[2] Its $54.8 million in deposits represent 25.1 per cent of market deposits. The largest bank in the market holds 27 per cent of the market deposits. The third, fourth, and fifth largest banks in the market hold, respectively 19.6 per cent, 14.1 per cent, and 13.2 per cent of market deposits. The smallest bank in the market, organized in 1976, controls just under 1 per cent of market deposits. It appears that none of the banks in the market is currently held by a bank holding company.

Applicant's nearest subsidiary is located 90 miles south of Bank in Wallis, Texas. Several subsidiaries of Applicant derive only marginal amounts of business from the relevant market and none derives any substantial amounts. Thus, and in view of the local nature of banking markets, consummation of Applicant's proposal would not have any significant adverse effects on existing competition within the relevant market.

Although the market's ratio of population to banking offices is 1.4 times the State average, *per capita* deposits in the market are only 67 per cent of the State average. The market has experienced considerable population growth since 1970. The market, on balance, appears slightly attractive for *de novo* entry. Although Applicant may be considered a potential entrant into this market, it should be noted that no other bank holding companies are represented in the Bryan market. Thus, the loss of Applicant as a potential entrant is not considered significant in view of the relatively large number of remaining bank holding companies that are potential entrants into the market. Bank holds approximately $12 million more in market deposits (5.5 per cent of market deposits) than the third largest bank and approximately $4 million less (about 2 per cent) than the largest bank in the market. The similarity in size of the five largest of the six banks in the market suggests the absence of alternative foothold means of entry into the market since it does not appear that the smallest bank in the

[1] All banking data are as of December 31, 1976 and reflect bank holding company formations and acquisitions approved through June 30, 1977.

[2] The relevant geographic market is approximated by the Bryan-College Station Standard Metropolitan Statistical Area which encompasses all of Brazos County. The January 1, 1977 population estimated for the market was 76,700 persons, an increase of 32.2 per cent over 1970. The recent expansion of Texas A&M University, located at College Station, contributed significantly to this increase. Texas population growth Statewide was estimated at 12 per cent for the same period.

market is available for acquisition. For the foregoing reasons, approval of this application will have only a slightly adverse effect, if any, on potential competition.

The financial and managerial resources of Applicant and its subsidiaries and of Bank are considered generally satisfactory and the future prospects of all appear favorable. Thus, the Board believes that the banking factors involved in the proposal are consistent with approval.

Information contained in the record indicates that most of the banking needs of the area are currently being met. However, the growth in the area has created demands for new services not currently available within the market. Applicant through Bank has the capability of providing these services. Bank has maintained a quite conservative loan to deposit ratio: Applicant intends to infuse capital into Bank to increase commercial and consumer lending. It plans within two years of acquisition to provide credit related insurance through Applicant's subsidiary, First City Life Insurance Company, at rates less than those currently charged by an affiliate of Bank. Applicant also intends to expand mortgage lending services. In light of these factors the Board regards considerations of the convenience and needs of the community to be served as lending weight in favor of approval of the application.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Dallas pursuant to delegated authority.

By order of the Board of Governors, effective September 1, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Coldwell, Jackson, Partee, and Lilly. Absent and not voting: Chairman Burns.

(Signed) ROBERT E. MATTHEWS,
Assistant Secretary of the Board.

[SEAL]

First National Holding Corp.
Atlanta, Georgia

Order Approving Acquisition of Banks

First National Holding Corp., Atlanta, Georgia, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 per cent of the voting shares of First Bank of Savannah ("Savannah"), Savannah, Georgia, and approximately 78 per cent of the voting shares of The First National Bank of Dalton ("Dalton"), Dalton, Georgia. In acquiring Dalton, Applicant would formally acquire indirect ownership of 64.4 per cent of the voting shares of The Bank of Dalton, Dalton, Georgia. These shares are held by National Loan Company, Dalton, Georgia, a wholly-owned subsidiary of Dalton.

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3 of the Act (41 *Fed. Reg.* 46059; 42 *Fed. Reg.* 12236). The time for filing comments and views has expired, and the Board has considered the applications and all comments received in light of the factors specified in section 3(c) of the Act.

The applications are consolidated because of a set of facts common to them. In both instances Applicant seeks the Board's permission to acquire bank shares held by, or subject to a contractual right to acquire held by, former directors of Applicant's subsidiary bank, The First National Bank of Atlanta ("Atlanta Bank"), Atlanta, Georgia, pursuant to arrangements made in 1969 and 1970. Under those arrangements Atlanta Bank financed the ultimate acquisition of controlling interests in Savannah and Dalton by persons affiliated with Atlanta Bank at preferential terms and without risk of loss to the borrowers. The Board has previously determined that similar arrangements may evidence indirect control of bank shares by a company and, if undertaken without prior Board approval, may constitute violations of the Bank Holding Company Act.[1] In connection with these proposals, the Board has scrutinized the underlying facts surrounding the acquisitions of shares of Dalton and Savannah and the acquisition of rights to acquire shares of Dalton by Applicant's subsidiary bank acting through persons related to it, and has concluded that Atlanta Bank, by virtue of these arrangements, acquired indirect ownership and control of more than 25 per

[1] *See, e.g.*, The Jacobus Company and Inland Financial Corporation, 60 Federal Reserve BULLETIN 130 (1974); MidAmerica Bancorporation, 60 Federal Reserve BULLETIN 131 (1974); First United Bancorporation, Inc., 61 Federal Reserve BULLETIN 889 (1975).

cent of the shares of both banks without the Board's prior approval in violation of section 3 of the Act.[2] In accordance with its policy regarding violations of the Act, and, upon its examination of all the facts of record, the Board is of the view that the specific facts involved in the original indirect acquisitions, even viewed in isolation and absent other adverse considerations, might require denial of the applications but for Applicant's thorough and definite undertakings to guard against violations in the future.[3]

Applicant, the second largest banking organization in Georgia, controls one bank other than Dalton and Savannah, holding total deposits of $1.2 billion, or approximately 10 per cent of the total deposits in commercial banks in the State.[4] Savannah is the fourth largest of nine commercial banks located in the Savannah banking market,[5] and holds deposits of $33.4 million, or 6 per cent of the deposits in commercial banks in that market. Dalton is the largest of six banks in the Dalton banking market,[6] and holds deposits of $74 million, or approximately 46 per cent of the deposits in commercial banks in that market. The Bank of Dalton, which also is located in the Dalton banking market, holds deposits of $20.8 million (11 per cent of market deposits), and is the third largest commercial bank in that market. Taken together, Dalton and The Bank of Dalton control approximately 57 per cent of the market's commercial bank deposits.

Applicant's direct subsidiary bank is located in the Atlanta banking market,[7] which is approximately 250 miles from Savannah and over 50 miles from Dalton, and Applicant's nonbank subsidiaries are not significant competitors in either the Savannah or Dalton banking markets. Viewing the competitive situation as it existed in 1969 and 1970 when Atlanta Bank arranged to obtain control of Dalton and Savannah, it appears that, in light of the fact that Dalton, Savannah, and Atlanta Bank serve separate banking markets, the acquisitions eliminated and, viewed as present acquisitions would eliminate, no existing banking competition in the relevant markets. Furthermore, consummation of the Dalton proposal may have a procompetitive effect, inasmuch as Applicant has committed, if its application is approved, to sever the affiliation between Dalton and The Bank of Dalton that has existed since 1918.[8] This would establish The Bank of Dalton as an independent new competitor in a relatively concentrated market. Moreover, continued affiliation between Applicant and Savannah may preserve Savannah's ability to compete with the larger organizations in the market.[9] The Board accordingly concludes that competitive considerations are consistent with approval of both applications and lend weight to approval of the application to acquire Dalton.

Considerations relating to the convenience and needs of the communities to be served are also consistent with approval of both applications. Applicant states that it will provide a number of new services to both banks, and Applicant has provided assistance to both banks under its present relationship with them.

[2]The material facts, summarized here, are undisputed. In the case of Savannah, Atlanta Bank in March 1969 lent, without interest, $2.7 million to an unrelated individual to acquire all but the directors' qualifying shares of that bank. In April 1970, the bank shares and loan were transferred to the former chairman of Atlanta Bank's executive committee. This loan was structured so that the borrower assumed no personal liability on his debt to Atlanta Bank beyond the shares of Savannah pledged as collateral for that loan, and so that interest would equal dividends paid by Savannah. In September 1971, Atlanta Bank lent this individual on the same basis an additional $500,000 to acquire additional shares of Savannah. Since 1971 Applicant has invested an additional $4.4 million directly in Savannah's preferred shares and capital notes. Since 1972, Savannah's executive committee has voted the shares of Savannah held by Atlanta Bank's former director pursuant to proxies executed by him.

In the case of Dalton, several individual shareholders of Dalton, unrelated to Atlanta Bank, placed shares of Dalton in a trust in January 1969, with a view to preventing another Georgia bank from gaining control of Dalton. Under the terms of the trust four directors and former directors of Atlanta Bank agreed to buy from the trust shares of any shareholder-beneficiary who died or who decided to sell, at a formula price, if the remaining shareholder-beneficiaries declined to do so. At the same time Atlanta Bank agreed to lend to its designated directors the funds necessary to buy shares from the trust, without personal liability and at interest equal to dividends. Over time additional shares were placed in trust. These arrangements involved about 78 per cent of Dalton's voting shares, 39 per cent that are still held in trust and another 39 per cent that passed through the trust to Atlanta Bank's former directors between 1969 and 1976.

[3]The record also reflects that before initiating these transactions Atlanta Bank had reason to believe them lawful, and that Applicant openly disclosed its transactions regarding Dalton and Savannah to its shareholders and to the Board as soon as those transactions were questioned and cooperated with efforts by the Board's staff to resolve the violations question. Applicant's cooperation, the nature of the violations, the fact that the transactions originated before the Board publicized its policy on such transactions and that management has changed since the transactions originated, coupled with Applicant's undertaking a definite program regarding its future conduct, together persuade the Board that the violations do not reflect so adversely on Applicant's management as to require denial of these applications, though no one of those considerations standing alone might be persuasive.

[4]Banking data are as of December 31, 1976.

[5]The Savannah banking market is approximated by Chatham and Effingham Counties and those portions of Liberty and Bryan Counties that lie east of Fort Stewart.

[6]The Dalton banking market is approximated by Whitfield and Murray Counties.

[7]The Atlanta banking market is approximated by Fulton, DeKalb, Cobb, Gwinnett, Clayton, Douglas, Henry, and Rockdale Counties.

[8]Applicant has filed a written commitment that upon consummation of the proposed acquisition of shares held by Atlanta's former directors it will cause director and officer interlocks between Dalton and The Bank of Dalton to be severed, and cause termination of Applicant's direct and indirect ownership and control of, and power to vote, voting shares of The Bank of Dalton at the earliest practicable time and in any event within two years.

[9]The two largest banking organizations in the Savannah banking market control approximately 70 per cent of the market's deposits, and a majority of the market's deposits are controlled by the State's largest and third largest banking organizations.

The financial and managerial resources and future prospects of Dalton and Savannah are viewed as *generally satisfactory*. *Applicant's managerial* resources and future prospects are also considered generally satisfactory. Its financial resources, which suffered during the downturn in the real estate industry in the Southeast, are improving. There is no indication in the record that Applicant's recovery is progressing at an unsatisfactory rate, but the Board believes that Applicant should continue to strengthen those financial resources before it attempts to expand through proposals involving a diversion of its existing resources.

These proposed transactions, however, represent essentially the reorganization of existing indirect investments, one that would have only a minimal or conceivably a positive effect on the financial resources of Applicant. Applicant made most of its proposed investments in Dalton and Savannah beginning in 1969. In the case of Savannah, converting Applicant's indirect investment to a direct investment requires an additional outlay of only $10,000. Acquisition of 39 per cent of the shares of Dalton can likewise be accomplished at negligible cost, and the Board is satisfied that Applicant's commitments regarding the circumstances under which it will acquire additional shares of Dalton sufficiently insure that the acquisition will not have any materially adverse effect on Applicant or Atlanta Bank. Moreover, Applicant's ability to consolidate the earnings of Savannah after consummation of that proposed transaction should enhance its financial resources. On the other hand, divestiture of the shares and rights held by Atlanta's former directors could involve adverse financial consequences to Applicant. Having considered all aspects of the proposed transactions, including Applicant's most recent financial information, the Board concludes that on balance considerations relating to Applicant's *financial resources are consistent with* approval of these applications.[10]

Accordingly, based on the record and for the reasons summarized herein, these applications are approved. Approval of the application to acquire Dalton is subject to the condition that Applicant cause complete divestiture of The Bank of Dalton in accordance with its commitment, subject to continuing review and the imposition of such further terms as the Board or its General Counsel may direct. Applicant is directed to submit to the Board's General Counsel within 30 days after the effective date of this Order reasons why the divestiture of The Bank of Dalton should not be ordered earlier than Applicant proposes, and authority is hereby delegated to the Board's General Counsel to *order such earlier divestiture, and to impose conditions* that will insure that the divestiture is complete and effective, if the reasons submitted in his judgment warrant such action. The transactions hereby approved shall not be made before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Atlanta pursuant to delegated authority.

By order of the Board of Governors, effective September 28, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, and Partee. Voting against this action: Governors Coldwell, Jackson, and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Dissenting Statement of
Governors Coldwell and Jackson

We would deny the applications by First National Holding Corp. to acquire The First National Bank of Dalton ("Dalton") and First Bank of Savannah ("Savannah"). In our view, any other action would result in a reward of Applicant's violations of the Bank Holding Company Act and would be contrary to the standards the Board normally applies to bank holding company applications. The subject applications propose that a bank holding company whose financial resources do not meet the Board's normal standards for expansion acquire directly shares of two banks that it acquired indirectly several years ago in violation of law. We do not agree that the Board should permit this to happen.

In essence the Board's Order in these cases turns Applicant's violations of the Act into a positive factor favoring approval. It is our view that if the violations had not occurred the Board would probably have denied these applications. If that is true the logical conclusion is that the violations have lent weight toward approval of these applications. We might be willing to agree under the special circumstances of supervisory authorities' actions in these cases that the violations should be a neutral factor, but we cannot agree that they should be a positive one.

We believe the Board's majority has attached undue weight to the estimates of financial injury which divestiture might cause Applicant, Dalton, or Savannah. Any damage will unlikely be severe. To a large extent "bookkeeping" losses that could be incurred as a result of divestiture already exist in

[10] There is nothing in the record to show that Atlanta Bank's financial resources at the time it arranged to obtain control of Savannah and Dalton were incompatible with those investments at the time they were made. Instead it appears that the problems Applicant has experienced were chiefly those common to other banking organizations and arose several years later.

Applicant's consolidated financial resources, and divestiture of Dalton might enhance Applicant's financial resources rather than injure them. Furthermore, divestiture, once complete, should allow Applicant to focus its managerial resources more completely on its existing organization, which we consider a material benefit. On the other side, we do not see that retention of Dalton or Savannah will improve Applicant's financial resources in any important way. While the bulk of Applicant's present investments in Savannah and Dalton were made several years ago, its proposed additional investment in Dalton may involve a diversion of existing financial resources, and a complex, uncertain plan for purchase of the additional shares.

A bank holding company may by various means and for various reasons seek to avoid or postpone review by the Board of its investments in banks and other enterprises as Applicant did. A company that elects to pursue such a course, and particularly if undertaken in circumvention of the Act's requirements, should run the risk, however, that approval may be foreclosed by the violation itself or by events occurring between the time the investment is made and the time it is presented to the Board for evaluation.

For the foregoing reasons, we would deny these applications.

Huntington Bancshares Incorporated
Columbus, Ohio

Order Approving Acquisition of Bank

Huntington Bancshares Incorporated, Columbus, Ohio ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(3)) ("Act") to acquire 100 per cent of the voting shares (less directors' qualifying shares) of the successor by merger to The Central National Bank of London, London, Ohio ("Bank"). The bank into which Bank is to be merged has no significance except as a means to facilitate the acquisition of the voting shares of Bank. Accordingly, the proposed acquisition of shares of the successor organization is treated herein as the proposed acquisition of the shares of Bank.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received, including those of the Department of Justice, in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the seventh largest banking organization in Ohio, controls twelve banking subsidiaries[1] with aggregate deposits of approximately $1.4 billion, representing 4.1 per cent of total commercial bank deposits in Ohio.[2] Acquisition of Bank ($24.8 million in deposits) would increase Applicant's share of Statewide commercial bank deposits by 0.07 per cent and would have no appreciable effect upon the concentration of banking resources in Ohio.

Bank is headquartered in the city of London, Ohio, about 25 miles west of downtown Columbus, and is the twelfth largest of 27 commercial banking organizations (with 193 banking offices) located in the Columbus banking market controlling approximately 0.7 per cent of the total commercial bank deposits in the market.[3] Applicant is the second largest banking organization in the relevant market with approximately 23.2 per cent of market deposits. While acquisition of Bank would increase Applicant's market share, Applicant would remain the second largest banking organization in the market, since the largest in the market (and the second largest banking organization in the State) controls 43 per cent of market deposits. Also located in the relevant market are banking subsidiaries of four other Ohio multibank holding companies, all ranked within the top eight banking organizations in the State. Even though Applicant and Bank operate in the same market and some existing competition would be eliminated, Applicant's banking office closest to Bank is located 8.3 miles east of Bank, in Franklin County, and is separated from Bank by seven intervening banking offices. Based upon the above and other facts of record, it appears to the Board that approval of the application would have only a slightly adverse effect upon existing competition.

In assessing the effects of the proposal upon future competition, the Board is of the view that although Applicant may possess the capabilities to

[1]By action of August 31, 1977, the Board approved the acquisition by Applicant of the successor by merger to Bellefontaine National Bank, Bellefontaine, Ohio.

[2]All banking data other than market deposit data are as of December 31, 1976, and reflect bank holding company formations and acquisitions approved as of June 30, 1977. All market data are as of June 30, 1976.

[3]The relevant market is the Columbus banking market which is approximated by the five-county Columbus SMSA. It includes all of Franklin and Fairfield Counties, all of Pickaway County except Perry and Salt Creek Townships, the southern two-thirds of Madison County, all of Delaware County except the northernmost townships, and the western half of Licking County.

enter Madison County *de novo* and acquisition of Bank would eliminate one independent banking alternative in the relevant market, there are other facts of record that mitigate these slightly adverse competitive effects. Ohio's restrictive branching law, which limits branching to home office counties, prohibits Applicant's present subsidiaries from branching into the Madison County portion of the market. Moreover, it appears unlikely that Applicant would enter Madison County *de novo* since the population and deposits-per-banking-office ratios are below State averages and the area of growth in the Columbus Metropolitan Area is primarily north and east of Columbus rather than southwest where Bank is located. Furthermore, following approval there would remain 20 other independent banks as possible entry points into the market. Accordingly, on the basis of the above and other facts of record, it is concluded that consummation of the proposal would have only slightly adverse effects upon potential competition.

In analyzing the competitive consequences of the subject proposal, the Board has considered the comments by the Department of Justice that consummation would have adverse competitive effects. However, in light of the Board's findings described above, it does not appear that such effects would be significant, and, balanced against the convenience and needs considerations discussed below, the Board is of the view that denial of the application is not warranted.

The financial and managerial resources and future prospects of Applicant, its subsidiaries and Bank are regarded as generally satisfactory and consistent with approval. Affiliation with Applicant will enable Bank to provide its customers a much greater variety of banking services beyond those it currently offers and thereby increase its competitiveness in the market. The services Applicant has indicated Bank will be able to provide its customers which are not now offered by Bank include time and savings deposits offering a wide range of maturities, compounding of interest daily, expanded checking services to include Applicant's "All-in-One Account," and a bank credit card service. Applicant will also make available to Bank's customers more specialized and diversified trust and data processing services. The Board finds, therefore, that considerations relating to the convenience and needs of the community to be served lend such weight toward approval as to outweigh any slightly adverse competitive effects that might result from approval of the proposal. Accordingly, it is the Board's judgment that the proposed acquisition would be in the public interest and that the application should be approved.

During its consideration of this application the Board noted that, as a result of management and director interlocks and other indicia of a close relationship between Bank and The London Home and Savings Company, acquisition of Bank might cause Applicant, following consummation of the subject proposal, to be indirectly engaging in the activity of operating a savings and loan association (See Board Order of February 22, 1977, denying the application of D. H. Baldwin Company, Cincinnati, Ohio, to retain Empire Savings, Building and Loan Association, Denver, Colorado (63 *Federal Reserve* BULLETIN 280 (1977) . Accordingly, The Board's action herein is conditioned upon Applicant complying with its commitment to take steps following acquisition of Bank which will result in the severance of the above interlocks, and the establishment within one year after the acquisition of Bank of The London Home and Savings Company as a completely independent financial institution in the Columbus banking market.

On the basis of the record, and for the reasons summarized herein, the application is approved subject to the condition set forth above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Cleveland pursuant to delegated authority.

By order of the Board of Governors, effective September 14, 1977.

Voting for this action: Vice Chairman Gardner and Governors Jackson and Partee. Voting against this action: Governor Coldwell. Absent and not voting: Chairman Burns and Governors Wallich and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Dissenting Statement of Governor Coldwell

As noted in the majority's opinion, the instant proposal involves the acquisition of a bank in the Columbus banking market by the second largest banking organization in the market, Huntington Bancshares, Inc. Where a banking organization is already represented in the market, a horizontal acquisition such as the one proposed here results in some elimination of existing competition.

In view of the absolute size of Huntington Bancshares and its position in the market, it is my opinion that the effects of the proposal on existing competition are adverse. The Bank Holding Company Act requires the Board to deny the proposed horizontal acquisition unless its anticompetitive effects are outweighed by other factors in the record. It appears to me that the other factors are not sufficient to outweigh the anticompetitive effects present in this proposal. Therefore, I would deny this application.

Jackson Hole Banking Corporation
Jackson, Wyoming

Order Denying
Formation of Bank Holding Company

Jackson Hole Banking Corporation, Jackson, Wyoming, has applied for the Board's approval under § 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company through acquisition of 91.3 per cent of the common voting shares of The Jackson State Bank, Jackson, Wyoming ("Bank"). Applicant also proposes to acquire nonvoting preferred shares of Bank.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a nonoperating Wyoming corporation organized for the purpose of becoming a bank holding company through the acquisition of Bank ($44.2 million in deposits).[1] Upon acquisition of Bank, Applicant would control the 10th largest banking organization in the State of Wyoming and approximately 2.4 per cent of total deposits in commercial banks in the State.

Bank is the larger of the two banks located in Teton County, which approximates the relevant banking market, and holds approximately 81.7 per cent of the total commercial bank deposits in the market. The proposed transaction involves the transfer of ownership of Bank from individuals to a corporation owned by the same individuals. Since Applicant has no other subsidiaries, consummation of the proposal would not have any adverse effect upon existing or potential competition nor would it increase the concentration of banking resources. Thus, the Board concludes that the competitive effects of the instant proposal are not adverse and are consistent with approval.

The Board has indicated on previous occasions that a holding company should constitute a source of financial and managerial strength to its subsidiary bank(s), and that the Board will closely examine the condition of an applicant in each case with this consideration in mind.[2] Having examined such factors in light of the record in this application, the Board concludes that the record presents adverse considerations as they relate to the applicant bank holding company that warrant denial of the proposal to place the ownership of Bank into corporate form.

The president of Bank, along with members of his family, are the principal shareholders of Bank and, under this proposal, would become the president and principal shareholders of Applicant. The president of Bank has served in that capacity for approximately ten years. Material in the record reflects that Bank's earnings and capital position have generally been lower than those of similarly situated banks in the State. Such results appear to be attributable to the policies and practices currently in evidence in Bank's operations. Inasmuch as no management changes are contemplated by Applicant and this proposal would continue and enhance management's control of Bank, the Board is of the view that the record of Bank's operations indicates that managerial factors are an adverse consideration.

With respect to financial considerations, the Board notes that Applicant would incur a sizable debt in connection with the proposed acquisition of Bank's shares. Applicant proposes to service this debt over a 12-year period through dividends to be declared by Bank and tax benefits to be derived from filing consolidated tax returns. The projected

[1]Unless otherwise indicated, all banking data are as of December 31, 1976.

[2]The Bank Holding Company Act is clear in its mandate that the Board, in acting on an application to acquire a bank, inquire into the financial and managerial resources of an applicant. While this proposal involves the transfer of the ownership of Bank from individuals to a corporation owned by essentially the same individuals, the Act requires that before an organization is permitted to become a bank holding company and thus obtain the benefits associated with the holding company structure, it must secure the Board's approval. Section 3(c) of the Act provides that the Board must, in every case, consider, among other things, the financial and managerial resources of *both* the applicant company and the bank to be acquired. The Board's action in this case is based on a consideration of such factors.

earnings for Bank contained in the application are higher than Bank has generally enjoyed in the past, as well as being higher than other banks in the area. In addition, the projected asset growth of Bank is much less than that experienced in recent years. Based upon more realistic earnings and growth projections, it is the Board's judgment that Applicant would not have the necessary financial resources to meet its annual debt servicing requirements, maintain adequate capital at Bank, and meet any unexpected problems that might arise at Bank. It is true that Applicant's plan calls for it to incur debt for the purpose of injecting capital into Bank; however, a more appropriate means of achieving capital improvement considering Bank's present condition would be a retention of earnings and a curtailing of dividends. In sum, the Board does not view Applicant's overall financial plan as one that would enable it to serve as a source of strength to Bank or one that would enhance Bank's prospects. Therefore, the Board concludes that considerations relating to financial resources and future prospects weigh against approval of this application.

No significant changes in Bank's operations or in the services offered to customers are anticipated to follow from consummation of the proposed acquisition. Consequently, convenience and needs factors lend no weight towards approval of this proposal.

On the basis of the circumstances concerning this application, the Board concludes that the banking considerations involved in this proposal present adverse factors bearing upon the financial and managerial resources and future prospects of Applicant and Bank. Such adverse factors are not outweighed by any procompetitive effects or by benefits that would result in better serving the convenience and needs of the community. Accordingly, it is the Board's judgment that approval of the application would not be in the public interest and that the application should be denied.

On the basis of the facts of record, the application is denied for the reasons summarized above.

By order of the Board of Governors, effective September 30, 1977.

Voting for this action: Vice Chairman Gardner and Governors Jackson, Partee, and Lilly. Absent and not voting: Chairman Burns and Governors Wallich and Coldwell.

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

Metropolitan Bank and Trust Company,
Philippine Securities Corporation and
Tytana Corporation
Mikati, Rizal, Philippines

Amendment to Order Approving Formation of Bank Holding Companies

By Order dated August 10, 1977, the Board approved the applications of Metropolitan Bank and Trust Company ("Metropolitan"), Philippine Securities Corporation and Tytana Corporation, all of Makati, Rizal, Philippines, to become bank holding companies through the direct or indirect acquisition of up to 35 per cent of the voting shares of International Bank of California ("Bank"), Los Angeles, California. Applicants have indicated that Metropolitan intends to enter into a voting trust agreement with shareholders of Bank, which voting trust would be controlled by Metropolitan. The shares in the voting trust would consist of the shares to be owned by Applicants and such additional shares as are necessary for the voting trust to control more than 50 per cent of the voting shares of Bank. As a result of the voting trust, Applicants would directly or indirectly control voting shares of Bank in addition to the 35 per cent for which prior Board approval was previously requested and approved. Applicants have amended their applications to reflect the fact that they intend to acquire directly or indirectly ownership or control of more than 50 per cent of the voting shares of Bank and have requested that the Board amend its Order of August 10, 1977, accordingly.

Notice of the amended applications, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the amended applications and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. 1842(c)).

The request for amendment of the Board's previous Order presents no significant issues, and the Board finds that the statutory considerations discussed in the Board's Order of August 10, 1977, continue to be consistent with approval of the applications for the reasons discussed therein. Accordingly, it is the Board's judgment that approval of Applicants' requests would be in the public interest and that the request for amendment to the Board's previous Order should be approved.

On the basis of the record, Applicants' requests are approved for the reasons summarized above. The Board's Order of August 10, 1977, is hereby amended such that Applicants may acquire directly or indirectly ownership or control of more than 50 per cent of the voting shares of Bank. The transactions shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) 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 pursuant to delegated authority.

By order of the Board of Governors, effective September 22, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, Coldwell, Jackson, Partee, and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Phillipsco, Inc.
Denver, Colorado

Order Approving Formation of Bank Holding Company

Phillipsco, Inc., Denver, Colorado ("Applicant"), has applied for the Board's approval under § 3(a)(1) of the Bank Holding Company Act ("the Act") (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company by acquiring 97.5 per cent of the voting shares of The First National Bank of Holyoke, Holyoke, Colorado ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the application and all comments received have been considered in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a recently chartered, nonoperating corporation, organized for the purpose of becoming a bank holding company by acquiring Bank, which holds deposits of $12.8 million.[1] Upon acquisition of Bank, Applicant would control the 139th largest commercial bank in the State of Colorado. Applicant would control approximately 0.15 per cent of total deposits in commercial banks in the State.

Bank, located in Holyoke, Colorado, is the largest of three commercial banks in the relevant banking market and holds approximately 55.9 per cent of the total commercial bank deposits in the market.[2] It was recently purchased by Applicant's principals. One of the principals of Applicant is also a director of a large Colorado multibank holding company and an officer and director of one of its subsidiary banks. However, that company currently has no subsidiaries in the relevant market, and, therefore, there is no significant competition between that company and Bank at this time. In addition, it appears unlikely that consummation of this proposal would have any adverse effect upon potential competition or increase the concentration of banking resources in any relevant area. Thus, the Board concludes that the competitive effects of the proposal are consistent with approval of the application.

On February 15, 1977, Applicant agreed to acquire, subject to Board approval, shares of Bank that Applicant's principals had purchased two months earlier. In originally purchasing the shares that are the subject of this application, those principals incurred debt which, if this application is approved and the proposed transaction consummated, will be assumed by Applicant.

Upon consideration of the size and terms of this debt, service of which will be dependent upon Bank's earnings, the historic growth of the relevant banking market in particular and Colorado banks in general, Bank's historical earnings and the operating results of other banks located in the same geographic area, the Board believes that Applicant's acquisition debt, the debt temporarily assumed by its principals in anticipation of Applicant's formation, can be serviced without adversely affecting the financial resources of Bank, which are considered generally satisfactory. In reaching this conclusion, the Board is influenced by several facts. First, Applicant will be able to service its debt if Bank achieves earnings equal to the average of banks in its area, and current Bank earnings are well ahead of Applicant's projections. Second, while Applicant is somewhat leveraged, the individual investors incurred no personal debt in mak-

[1]All banking data are as of December 31, 1976.

[2]The relevant banking market is approximated by Phillips County. Holyoke is the County Seat. Phillips County is in northeastern Colorado. Population of this agricultural county declined 7 per cent between 1960 and 1970 to 4,131. However, the population of Holyoke increased 5.5 per cent in this same period to 1,646.

ing a substantial capital contribution to Applicant. Third, the principals of Applicant have many years of banking experience. Finally, Applicant does not plan any immediate expansion of its operations and intends to limit its activities in the near future solely to the ownership and management of Bank, thereby permitting its entire resources to be devoted to Bank. The Board therefore concludes that the financial resources and future prospects of Bank and Applicant lend weight toward approval of the Application.

The Board also concludes that considerations relating to the managerial resources of Bank and Applicant lend weight toward approval of this application. Applicant's managerial resources are considered satisfactory and Applicant's principals in the brief period they have controlled Bank pending disposition of this application have actively strengthened Bank's managerial resources. Before Applicant's principals acquired Bank, Bank had no middle management and no plans for succession, and the two senior officers were near or above retirement age. Applicant's principals have substantial banking experience and have provided Bank with experienced management which will ensure management succession which was lacking before.

Regarding convenience and needs factors, Applicant states that there are no plans for significant changes in the kinds of services provided by Bank. Under new ownership, however, Applicant's principals have initiated a more aggressive loan policy, with the result that Bank has become more responsive to the borrowing needs of the area. In this connection, Bank has been able to increase its loan to deposit ratio without injury to the quality of its loan portfolio. The Board regards the expansion of Bank's lending services as a positive factor and, therefore, concludes that convenience and needs considerations lend weight toward approval of the application.

For the reasons discussed above, the Board concludes that approval of the application to become a bank holding company would be in the public interest and that the application should be approved.

On the basis of the facts of record and for the reasons summarized above, the application is approved. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City pursuant to delegated authority.

By order of the Board of Governors, effective September 27, 1977.

Voting for this action: Governors Coldwell, Jackson, Partee, and Lilly. Absent and not voting: Chairman Burns and Governors Gardner and Wallich.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Twin Lakes Financial Corporation
Wichita, Kansas

Order Approving Formation of Bank Holding Company

Twin Lakes Financial Corporation, Wichita, Kansas, has applied for the Board's approval under § 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842 (a)(1)) of formation of a bank holding company through acquisition of 98.9 per cent of the voting shares of Twin Lakes State Bank, Wichita, Kansas ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received, in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a newly formed corporation organized under the laws of Kansas for the purpose of becoming a bank holding company through the acquisition of Bank. Bank ($28.4 million in deposits) ranks 84th among the 616 commercial banks in Kansas and controls 0.3 per cent of the total commercial bank deposits in the State.[1] Bank is the 14th largest of 28 commercial banks in the Wichita banking market (the relevant market) and controls approximately 1.9 per cent of the total deposits held by commercial banks in that market.[2] In addition to Bank, there are two other banks in the Wichita banking market affiliated with Applicant's principals.[3] Applicant's principals also are affiliated with

[1]All banking data are as of December 31, 1976, and reflect bank holding company formations and acquisitions approved as of July 31, 1977.

[2]The Wichita banking market is approximated by Sedgwick County, Kansas.

[3]Wichita State Bank ($28.5 million in deposits) and United American Bank & Trust Company ($29.9 million in deposits), with 1.9 and 2.0 per cent, respectively, of the total commercial bank deposits in the Wichita banking market.

a bank in Iola, Kansas, Allen County State Bank ($30.7 million in deposits), which is located over 100 miles east of Wichita, in a separate banking market. It appears that the proposal would result in some elimination of existing competition; however, on the basis of all the facts of record, including the relative size of the affiliated banking organizations in the Wichita market (in the aggregate they control 5.75 per cent of total market deposits and together would rank as the fifth largest banking organization therein), the number of banking alternatives remaining in the market, the fact that consummation of the proposal would not alter the competitive relationship between Bank and the two other affiliated banks in the Wichita market, and the proposed transaction is essentially a reorganization of existing ownership interests, the Board concludes that consummation of this proposal would not have any significant adverse effects upon either existing or potential competition within the relevant market.

Applicant proposes to sell 24.9 per cent of its voting shares to Sierra Petroleum Co., Inc., Wichita, Kansas, and 24.9 per cent of its voting shares to K & B Producers, Inc., Wichita, Kansas.[4] As a result, Applicant will receive additional funding which it appears will allow Applicant to have the necessary financial resources available to service its debt without impairing the financial condition of Bank.[5] In addition, as part of this proposal, Bank's capital will be increased. Accordingly, the financial and managerial resources and future prospects of Applicant and Bank are considered to be satisfactory and consistent with approval of the application.

Although there will be no immediate changes in the operations or services of Bank as a result of this proposal, considerations relating to the convenience and needs of the community to be served are consistent with approval of the application. Based upon the foregoing and other considerations reflected in the record, it is the Board's judgment that the proposed acquisition is in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The acquisition of Bank shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City pursuant to delegated authority.

By order of the Board of Governors, effective September 29, 1977.

Voting for this action: Governors Wallich, Jackson, Partee, and Lilly. Voting against this action: Governor Coldwell. Absent and not voting: Chairman Burns and Governor Gardner.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[4]Applicant's principals are also controlling shareholders in Sierra Petroleum Co. Inc., and K. & B Producers, Inc., registered bank holding companies by virtue of their control, respectively, of United American Bank & Trust Company and Allen County State Bank.

[5]In a related action, the Board today approved the applications by Sierra Petroleum Co., Inc., Wichita, Kansas, and K & B Producers, Inc., Wichita, Kansas, to acquire 24.9 per cent each of the voting shares of Applicant.

Sierra Petroleum Co. Inc.
K&B Producers, Inc.

Order Approving Acquisition of Shares of a Bank Holding Company

Sierra Petroleum Co., Inc., Wichita, Kansas ("Sierra"), a bank holding company by virtue of its ownership of 87.2 per cent of the voting shares of United American Bank & Trust Company, Wichita, Kansas ("United Bank"), and K&B Producers, Inc., Wichita, Kansas ("K&B"), a bank holding company by virtue of its ownership of 95.8 per cent of the voting shares of Allen County State Bank, Iola, Kansas ("Allen Bank"), have applied for the Board's approval under § 3(a)(3) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(3)) for each to acquire 24.9 per cent of the voting shares of Twin Lakes Financial Corporation, Wichita, Kansas ("Twin Lakes"), a proposed bank holding company with respect to Twin Lakes State Bank, Wichita, Kansas ("Twin Lakes Bank").[1]

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act.[2] The time for filing comments and views has expired, and the applications and all comments and views received have been considered by the Board in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

[1]In a related action, the Board approved today an application by Twin Lakes to become a bank holding company through the acquisition of 98.9 per cent of the voting shares of Twin Lakes Bank.

[2]Pursuant to the Supreme Court's holding in *Whitney National Bank of Jefferson Parish v. Bank of New Orleans and Trust Company*, 379 U.S. 411, 419 (1965) the Board may not approve an application by a bank holding company if Board approval of the

Twin Lakes Bank ($28.4 million in deposits) ranks 84th among 616 commercial banks in Kansas and controls 0.3 per cent of the total commercial bank deposits in the State.[3] Twin Lakes Bank is the 14th largest of 28 commercial banks in the Wichita banking market (the relevant market) and controls approximately 1.9 per cent of the total deposits held by commercial banks in that market.[4] Sierra's subsidiary bank, United Bank ($29.9 million in deposits), controls 2.0 per cent of the total deposits held by commercial banks in the relevant market and is the eighth largest commercial bank in that market. K&B's subsidiary bank, Allen Bank ($30.7 million in deposits), is located in Iola, Kansas, over 100 miles east of Wichita, in a separate banking market. United Bank and Twin Lakes Bank are located in the same banking market, along with a third commercial bank[5] also controlled by the principals of Sierra and K&B; thus, consummation of the proposals would result in some elimination of existing competition. However, it appears that the proposed transactions will not have any significant adverse competitive effects due to the relative size of these banking organizations in the Wichita market (in aggregate they control only 5.75 per cent of the total deposits in commercial banks in the market, and together would rank as the fifth largest organization therein), the number of remaining banking alternatives in the market, and the common ownership ties between the three institutions. Accordingly, on the basis of the facts of record, the Board concludes that consummation of the proposals would not have any significant adverse competitive effects in any relevant area.

The financial and managerial resources and future prospects of Sierra and its subsidiary bank and K&B and its subsidiary bank are considered satisfactory and consistent with approval. The acquisition of Twin Lakes' shares by Sierra and K&B will not adversely affect the overall financial conditions of Sierra, United Bank, K&B, Allen Bank, or Twin Lakes Bank. To the contrary, the proposals would have the effect of enabling Twin Lakes to reduce the debt incurred in connection with the acquisition of Twin Lakes Bank. Considerations relating to the convenience and needs of the communities to be served also appear to be consistent with approval of the applications. It is the Board's judgment that the proposed transactions would be consistent with the public interest, and that the applications to acquire shares of Twin Lakes should be approved.[6]

Based upon the foregoing and other considerations reflected in the record, the applications are approved for the reasons summarized above. The transactions to acquire shares of Twin Lakes shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, pursuant to delegated authority.

By order of the Board of Governors, effective September 29, 1977.

Voting for this action: Governors Wallich, Jackson, Partee, and Lilly. Voting against this action: Governor Coldwell. Absent and not voting: Chairman Burns and Governor Gardner.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

proposal contemplated by such application would result in the violation of a valid State law. Kansas law prohibits the formation of multi-bank holding companies. The relevant statute generally defines a bank holding company as any company that directly or indirectly owns, controls, or holds with power to vote, 25 per cent or more of the voting shares of each of two or more banks; or controls in any manner the election of a majority of the directors of each of two or more banks (K.S.A. § 9-504). Notice of the subject proposals has been given to the Kansas Banking Commissioner, as required by § 3(b) of the Bank Holding Company Act (12 U.S.C. § 1842(b)). The Banking Commissioner has indicated that consummation of the proposals, which involve the direct acquisition by Sierra and K&B of 24.9 per cent each of the voting shares of Twin Lakes, would not contravene the provisions of Kansas law.

[3]All banking data are as of December 31, 1976, and reflect bank holding company formations and acquisitions approved as of July 31, 1977.

[4]The relevant market is the Wichita banking market, approximated by Sedgwick County, Kansas.

[5]Wichita State Bank, Wichita, Kansas ($28.5 million in deposits) controls 1.9 per cent of total commercial bank deposits and ranks 13th in the relevant banking market.

[6]In connection with its consideration of the subject proposals, the Board has by letters of today's date notified both Sierra and K&B that, upon consummation of the proposals, the Board has determined, on the basis of the record, that Sierra and K&B would be capable of exercising a "controlling influence" over the management or policies of Twin Lakes within the meaning of § 2(a)(c)(C) of the Act. Accordingly, upon consummation of the proposals, Sierra and K&B are required to report Twin Lakes, as well as its subsidiaries, as subsidiaries of Sierra and K&B and to comply with the applicable provisions of the Act with respect to such subsidiaries. Sierra and K&B have waived the requirement of notice and opportunity for a hearing provided in the statute, and this determination becomes final upon consummation of the proposals.

Dissenting Statement of Governor Coldwell

I would deny the companion applications of Twin Lakes Financial Corporation ("Twin

Lakes"), Sierra Petroleum Co., Inc. ("Sierra"), and K&B, which are not outweighed by an benefit to the public. In connection with an earlier cations involves a pyramiding arrangement and entails an unsound debt structure that may have adverse effects upon the subsidiary banks of Sierra and K&B, which are not outweighed by an benefit to the public. In connection with an earlier application involving a practically identical debt financing method,[1] I expressed concerns which I feel are also presented by these applications.

The public benefit to be derived from these arrangements has not, in my opinion, been made apparent and may even be regarded as negative. In summary, it is my view that the basic financial position of Sierra and K&B, as a result of the proposal, would be such as to lessen the ability of each to resolve unforseen financial problems that may occur in their respective subsidiary banks, and, thereby might reduce those banks' overall ability to continue to serve the needs of their respective communities. Further, the likelihood that Twin Lakes would serve as a source of strength for Twin Lakes State Bank would be lessened in light of the fact that upon consummation of the proposal Twin Lakes would be owned in part by bank holding companies which would have the interests of their banking subsidiaries to consider. The public benefits, if any, that may be present are not sufficient to outweigh the negative financial effects that will result from approval of the applications.

For the above reasons, I would deny the applications.

[1]See dissenting statement to the Board's Order of September 15, 1975, approving the application of Valley View Bancshares, Inc., Overland Park, Kansas, to acquire shares of Industrial Bancshares, Inc., Kansas City, Kansas (61 Federal Reserve BULLETIN, 676, at 678 (1975)).

ORDER APPROVING DESIGNATION OF PURCHASER OF SHARES

The Alfred I. Dupont Testamentary Trust
Florida National Banks of Florida, Inc.

By letter dated December 10, 1974, the Board approved a plan of divestiture ("Plan") proposed by the Alfred I. duPont Testamentary Trust ("duPont Trust") to divest all of its 2,330,638 shares ("Shares") of Florida National Banks of Florida, Inc., Jacksonville, Florida ("Florida National"), representing 23.7 per cent of the outstanding voting shares of Florida National. Pursuant to the Plan, custody, title and voting rights to the Shares were transferred to the Peoples First National Bank of Miami Shores, Miami Shores, Florida ("Miami Bank"), as Trustee under an Irrevocable Living Trust Agreement, dated December 23, 1974 (the "Irrevocable Trust").

Under the terms of the Irrevocable Trust, the Miami Bank is required to sell the Shares at $18 per share or the publicly quoted bid price per share for such stock on a date 60 days after the day on which the sale of such stock by the Trust pursuant to the Plan was approved by the Board, whichever price is greater,[1] to Florida National Associates, Inc. ("FNA"), a corporation organized by the presidents of five of Florida National's subsidiary banks, provided FNA qualified within 33 months after the effective date of the Irrevocable Trust as financially able to purchase the Florida National Shares.

Under the Plan, the stock of FNA was to be offered to officers, directors and employees of Florida National and its subsidiaries and certain customers of Florida National's subsidiaries. However, FNA has the right under the Plan to elect not to purchase the Shares itself and instead to designate a person or persons to purchase the Shares by "private placement," provided that such purchaser is approved by the Board within the 33 month period. If FNA fails to qualify as financially able to purchase the Shares or fails to designate a purchaser approved by the Board within that period, FNA's rights under the Plan terminate and the terms of the Irrevocable Trust provide that the Miami Bank as trustee must sell the Shares at public sale by a registered secondary offering.

By letter dated August 25, 1977, FNA advised the Board that FNA had designated Florida National as the purchaser of the Shares, and FNA requested the Board's approval of its designation. Florida National proposes to purchase the Shares, which will be held in its treasury, for $18 per share, or an aggregate of approximately $42 million cash, as required by the Plan.[2] In connection with

[1]Since the quoted market price of Florida National stock has at no time been as high as $18 per share since the Board's approval of the Plan, $18 is the minimum sale price fixed by the Irrevocable Trust.

[2]By letter dated August 26, 1977, Florida National notified the Federal Reserve Bank of Atlanta, pursuant to § 225.6(a) of Regulation Y (12 C.F.R. § 225.6(a)), that Florida National intended to purchase 2,330,638 shares of its own common stock and it requested a waiver of the 45-day waiting period required by that section. Because the Board has already examined and approved the proposed purchase of the Shares by Florida National, it hereby waives the 45-day period.

the Board's consideration of FNA's designation of Florida National, Florida National has indicated to the Board its willingness to take certain actions designed to insure an effective and complete termination of any control relationship between the duPont Trust and Florida National and the complete separation of Florida National's banking and related interests from the nonbanking interests of the duPont Trust.

On the basis of the record before it, including the above-mentioned commitments by Florida National, the Board has determined that the acquisition of the Shares by Florida National pursuant to the terms of this Order is consistent with the Board's objectives in approving the Plan and will fully and effectively implement the intent of Congress as reflected in the 1966 Amendments to the Bank Holding Company Act to separate the banking and nonbanking interests then held by the duPont Trust. Accordingly, the application by FNA for approval of its designation of Florida National as the purchaser of the Shares is hereby approved. Any provision of the Plan that may be inconsistent with the Board's action herein is deemed to be modified to conform with this action of the Board.

In connection with its approval of FNA's designation of Florida National as the purchaser of the Shares, and pursuant to the Board's power under section 5(b) of the Act (12 U.S.C. § 1844(b)) to issue orders to administer and carry out the purposes of the Act and to prevent evasions thereof, the Board hereby further orders as follows:

1. No past, present or successor individual trustee, policy-making employee or agent of the duPont Trust nor any director, officer or policymaking employee of any subsidiary or affiliate of the Trust (or any person related to, partner of or associated or affiliated with, subject to influence by, or related by blood or marriage to any such individual) shall be eligible for election to the board of directors or to serve as an officer or policy-making employee of Florida National or any of its bank or nonbank subsidiaries.

2. No person who is serving, or who has in the preceding three years served, as legal counsel to the Trust or any subsidiary or affiliate of the Trust or to any individual trustee, agent or policy-making employee of the duPont Trust (or any person related to, partner of, or associated or affiliated with, or subject to influence by or related by blood or marriage to any such individuals), or to any person described in paragraph 1 above, shall be eligible for election to the board of directors of or to serve as an officer or policy-making employee of Florida National or any of its bank or nonbank subsidiaries.

3. No person indebted to the Trust, or to any subsidiary or affiliate of the Trust, or to any person described in paragraph 1 or 2 above, shall be eligible for election to the board of directors of or to serve as an officer or policy-making employee of Florida National or any of its bank or nonbank subsidiaries.

4. Commencing not later than the next regular meetings of shareholders in 1978, at least two-thirds of the board of directors of Florida National and two-thirds of the board of directors of Florida First National Bank of Jacksonville, Jacksonville, Florida, shall be persons who are unconnected with management and who are not officers or employees of Florida National or any of its subsidiaries or affiliates ("outside directors").

5. Florida First National Bank of Jacksonville, Jacksonville, Florida, shall resign (or be removed) as Corporate Trustee of the Alfred I. duPont Testamentary Trust as soon as possible, but in no event later than June 30, 1978. Thereafter, neither the Florida First National Bank of Jacksonville nor any other subsidiary or affiliate of Florida National shall serve as a trustee of the duPont Trust.

6. If Florida National or any of its bank or nonbank subsidiaries wishes to retain or continue to retain any attorney or law firm that has in the past represented or at this time represents the duPont Trust, or any subsidiary or individual trustee of the Trust, such action must be approved by a majority vote of the outside directors of Florida National or the subsidiary wishing to retain such counsel.

7. No director, officer, employee or agent of Florida National or any bank or nonbank subsidiary or affiliate thereof shall communicate in any manner with any trustee, policy-making employee, agent or representative of the duPont Trust or any of its subsidiaries concerning any matter relating to the management, policies or operations of Florida National or any bank or nonbank subsidiary or affiliate thereof, except in the same manner and under the same circumstances as communications are made to all shareholders of Florida National.

8. Florida National and each of its subsidiary banks will provide a certified copy of a resolution adopted by their respective boards of directors to the effect that neither the duPont Trust nor any of its subsidiaries or affiliates nor any individual trustee of the duPont Trust presently controls or exer-

cises a controlling influence over the management or policies of such company or its subsidiary bank, and that such company or subsidiary will not in the future permit the exercise over it of control or a controlling influence by the Trust, its subsidiaries or affiliates, or individual trustees, either directly or indirectly.

9. No person shall be selected by Florida National to act as proxy for the voting of shares of Florida National at any meeting of shareholders who is an officer or employee of Florida National or any subsidiary or affiliate thereof.

10. No director, officer, policymaking employee, or agent of Florida National or any of its subsidiaries or affiliates (and no person affiliated with, related to by blood or marriage or indebted to any of the foregoing) shall act or serve in any similar capacity with the duPont Trust or any of its subsidiaries or affiliates or as trustee of the duPont Trust.

11. All loan and deposit relationships between Florida National (and its subsidiaries) and the duPont Trust or any of its subsidiaries or affiliates shall be entered into and maintained on substantially the same terms and conditions as those prevailing at that time for comparable transactions with other persons.

12. Florida National shall submit such reports under oath, in writing or otherwise as the General Counsel of the Board or the Federal Reserve Bank of Atlanta may require to insure compliance with the terms and purposes of this Order.

The foregoing requirements, as well as the requirements contained in the Plan approved by the Board on December 10, 1974, shall remain obligatory upon Florida National and its subsidiaries and the duPont Trust, its trustees, subsidiaries and affiliates, unless and until the Board of Governors may determine otherwise.

A full Statement relating to this action will be issued at a later date.

By order of the Board of Governors, effective September 21, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, Coldwell, Jackson, Partee, and Lilly.

(Signed) Theodore E. Allison,
Secretary of the Board.

[SEAL]

Statement

By letter dated August 25, 1977, Florida National Associates, Inc., Jacksonville, Florida ("FNA"), requested, pursuant to the provisions of the Plan of Divestiture ("Plan") submitted by the Alfred I. duPont Testamentary Trust ("duPont Trust") with respect to its 2,330,638 shares (the "Shares") of Florida National Banks of Florida, Inc. Jacksonville, Florida ("Florida National"), the approval of the Board of FNA's designation of Florida National as purchaser of the Shares. The Plan was approved by the Board on December 10, 1974. By Order dated September 21, 1977, the Board approved FNA's designation of Florida National as purchaser of the Shares, and in connection with such approval, and acting pursuant to the Board's authority under section 5(b) of the Bank Holding Company Act (the "Act") (12 U.S.C. § 1844(b)), the Board directed Florida National to comply with certain requirements set forth in the Order designed to insure the effective and complete separation of Florida National's banking and related interests from the nonbanking interests of the duPont Trust that was mandated by Congress in 1966.

The Alfred I. duPont Testamentary Trust was established in 1935 with assets of about $27 million, consisting mainly of shares in E.I. duPont de Nemours & Co., Florida real estate and properties, and controlling interests in a number of banks in Florida. Mr. Edward Ball, Mr. duPont's brother-in-law, was named as one of the four original trustees of the duPont Trust and continued to manage the Florida properties owned by the Trust as he had done prior to Mr. duPont's death. With Mr. Ball serving, in effect, as managing trustee, the Trust expanded its bank holdings to include some 30 banks located throughout the State of Florida. Together these banks constituted the largest banking organization in Florida prior to 1970. The Trust's nonbanking interests, which continued to expand after Mr. duPont's death, included among others, the St. Joe Paper Company and the Florida East Coast Railway Company.

As originally enacted in 1956, the Bank Holding Company Act did not include testamentary trusts, such as the duPont Trust, as companies subject to the Act's prohibitions against the ownership of nonbanking interests by firms that controlled banks. In 1966, however, focusing primarily upon the extensive banking and industrial interests in the duPont Trust, Congress amended the Act's definition of "company" to include long-term trusts and it removed the Act's exemption for religious, charitable and educational institutions.

The 1966 Amendments to the Act required that within 5 years, (that is, by July 1, 1971) the duPont Trust either divest its nonbanking interests or cease to be a bank holding company. In 1970, the duPont Trust submitted to the Board its plan to comply with the 1966 Congressional mandate. It proposed: (1) to transfer the Trust's banking interests to a newly formed bank holding company in return for stock in the holding company, and (2) thereafter to reduce the Trust's interest in the new holding company to less than 25 per cent of its voting shares.

On August 13, 1970, the Board approved, as the first step in the Trust's compliance with the 1966 Amendments, the application of Florida National to become a bank holding company through an exchange of its own shares for all of the shares of the 30 banks owned by the duPont Trust. In its Order approving the reorganization, the Board advised the duPont Trust that in order to comply with the Act, the Trust would have to eliminate all relationships with Florida National that would enable the Trust to exercise control or a controlling influence over the holding company or its subsidiary banks.

On February 11, 1971, Florida National consummated its acquisition of nearly all of the shares of the 30 banks owned by the duPont Trust. The duPont Trust thereby acquired 59.6 per cent of Florida National's outstanding shares. Officers, directors, and employees of the Florida National banks acquired almost 9 per cent. Mr. Ball personally acquired 6.4 per cent, and the estate of Mr. Ball's sister, Jessie Ball duPont, acquired 4.5 per cent. On June 24, 1971, the duPont Trust sold over 3 million of its Florida National shares to the public, thereby reducing the Trust's holding of Florida National's voting shares to 24.9 per cent.

In May 1971, Mr. Ball resigned his position as Coordinator of the Florida National banks,[1] as well as all other official positions he held with Florida National and its subsidiary banks, including his seats on the boards of directors of four of the subsidiary banks.[2] By early 1972, all interlocking officers and directors between the duPont Trust and its subsidiaries, on the one hand, and Florida National and its subsidiary banks, on the other hand, were terminated.

In September 1971, the Board adopted, as an amendment to its Regulation Y, certain presumptions of control designed to implement the expanded definition of "control" brought about by the 1970 Amendments to the Act.[3] One of the rebuttable presumptions (12 C.F.R. § 225.2(b)(2)) provided, in effect, that shares of a bank holding company held by officers, directors or trustees of a second company would be considered to be indirectly controlled by the second company where the second company itself owned or controlled more than 5 per cent of the holding company's shares and the combined stock ownership in the holding company of the second company and its officers, directors and trustees together amounted to 25 per cent or more of the holding company's shares. Under this provision, the duPont Trust's 24.9 per cent interest in Florida National coupled with Mr. Ball's 6.4 per cent gave rise to the presumption that the duPont Trust continued to control Florida National, and thus indicated a finding that the duPont Trust's divestiture of its banking interest had not been complete or effective.

On July 5, 1973, acting pursuant to the procedures set forth in Regulation Y, the Board issued a preliminary determination that the duPont Trust exercised control and/or a controlling influence over the management or policies of Florida National and its subsidiary banks and, therefore, had failed to divest control of Florida National and its subsidiary banks as required by the 1966 Amendments to the Act. The Board's preliminary determination was based on six factors:

1. The duPont Trust's ownership of over 24 per cent of Florida National's shares.
2. The apparent continuation, after July 1, 1971, of pre-existing relationships between the duPont Trust and its trustees and Florida National.
3. Trustee Ball's service for 20 years as Coordinator of the Florida National banks.
4. Trustee Ball's ownership of Florida National's shares.
5. The ownership of 4.5 per cent of Florida National's shares by the Estate of Mrs. duPont (Trustee Ball's sister), the executors of which were individuals who served as trustees of the duPont Trust.

[1]Prior to July 1, 1971, Mr. Ball, through the Coordinator's Office, which he headed, dominated completely the management, operations and policies of the 30 Florida National banks owned by the duPont Trust.

[2]Mr. Ball did, however, select the president for Florida National (a position equivalent to that of Coordinator held by Mr. Ball until May 1971) and all of its initial directors. The Coordinator's Office formed the nucleus of Florida National. The staff of the Coordinator's Office became basically the staff of Florida National.

[3]The 1970 Amendments added § 2(a)(2)(c) to the Act, which defined "control" to include the exercise of a controlling influence over the management or policies of another firm.

6. The fact that no person (other than the Trust and Trustee Ball) owned more than 5 per cent of the voting shares of Florida National.

The duPont Trust did not contest the preliminary determination of control and indicated to the Board its willingness to divest itself of its entire interest in Florida National. By Order dated October 15, 1973, the Board made final its determination that the duPont Trust had continued after July 1, 1971, to exercise control and/or a controlling influence over Florida National and, therefore, had remained a bank holding company. Accordingly, the Board ordered the duPont Trust to terminate its control and/or controlling influence over Florida National and to divest the 2,330,638 shares of Florida National held by the duPont Trust no later than December 31, 1974. The duPont Trust was further ordered to submit a specific plan of divestiture.

By letter dated December 10, 1974, the Board approved a plan of divestiture that provided for the immediate and irrevocable transfer of custody, title and voting rights to the Shares to the Peoples First National Bank of Miami Shores, Miami Shores, Florida ("Miami Bank"), as trustee under an Irrevocable Living Trust. Under the terms of the Irrevocable Trust, the Miami Bank was required to sell the Shares at $18 per share or the publicly quoted bid price per share for such stock on a date 60 days after the day on which the sale of such stock by the duPont Trust pursuant to the Plan was approved by the Board, whichever price was greater,[4] to FNA, a corporation organized by the presidents of five of Florida National's subsidiary banks, provided FNA qualified within 33 months after the effective date of the Irrevocable Trust as financially able to purchase the Florida National Shares.

Under the Plan, the stock of FNA was to be offered to officers, directors and employees of Florida National and its subsidiaries and certain customers of Florida National's subsidiaries. However, FNA had the right under the Plan to elect not to purchase the Shares itself and instead to designate a person or persons to purchase the Shares by "private placement," provided that such purchaser was approved by the Board within the 33 month period. If FNA failed to qualify as financially able to purchase the Shares or failed to designate a purchaser approved by the Board within that period, FNA's rights under the Plan were to terminate, and the Miami Bank was required to sell the Shares at public sale. At such public sale, persons affiliated with the duPont Trust, its trustees or any of the subsidiaries of the duPont Trust were to be prohibited from purchasing the Shares.

During 1977, it became clear to FNA that it would not be able to demonstrate its financial capacity to purchase the Shares by the time its purchase rights were to expire under the Plan. Accordingly, FNA elected to exercise its rights under the Plan to designate a purchaser and on August 25, 1977, FNA requested Board approval of its designation of Florida National.[5] Florida National proposed to purchase the Shares, which will be held in its treasury, for $18 per share, or an aggregate of approximately $42 million cash, all of which will be borrowed. Florida National anticipates that approximately $17 million of the principal amount will be repaid early in 1978 with funds available to Florida National as the result of mergers among several of its subsidiary banks. Florida National, with 32 subsidiary banks having aggregate assets of $1.6 billion (as of December 31, 1976) is the fourth largest banking organization in Florida. Florida National's financial and managerial resources are regarded as satisfactory and its future prospects appear favorable. While the purchase of the Shares by Florida National will result in a significant increase in the company's debt, the Board believes that Florida National has sufficient resources to service the debt and still remain a source of financial strength to its subsidiary banks.

Following receipt of FNA's August 25, 1977 designation of Florida National as purchaser of the Shares, an extensive field investigation was conducted by staff of the Board and the Federal Reserve Bank of Atlanta to determine the extent to which, if at all, the duPont Trust or any of its trustees or any other person affiliated with the duPont Trust may have continued after December 10, 1974 (the date the Board approved the duPont Trust Plan of Divestiture) to exercise control or a

[4]Since the quoted market price of Florida National stock has at no time been as high as $18 per share since the Board's approval of the Plan, $18 was, in effect, the minimum sale price fixed by the Irrevocable Trust.

[5]In connection with its analysis of FNA's designation of Florida National, Board staff reviewed FNA's designation of Duke University, Durham, North Carolina, as alternative purchaser of the Shares, as well as the offers to purchase the Shares submitted to FNA by Combanks Corporation, Winter Park, Florida. However, the Duke designation was withdrawn by FNA, and was in any event not to be considered by the Board unless it disapproved the Florida National designation, and FNA did not accept Combanks' offer. Accordingly, the Board was not called upon to consider the merits of these proposals. However, the documents relating to these proposals were in the record before the Board.

controlling influence over the affairs of Florida National and its subsidiary banks, and to assess the effect that a purchase of the Shares by Florida National might have with respect to any existing or potential control relationship between the duPont Trust and Florida National.[6] The investigation indicated that following the transfer of the Shares to the Miami Bank under the Irrevocable Living Trust, the previous control relationship between the duPont Trust and Florida National began to dissipate substantially. Management of Florida National and its subsidiary banks assumed working control over Florida National, new directors were added to the Florida National board who had no prior affiliation with the Trust or its trustees, and substantial operational and policy changes were effected independent of and without consultation with, or review, influence or control by the duPont Trust, its individual trustees or any subsidiary or affiliate of the duPont Trust. With the exception of the duPont Trust's contacts with Florida National's lead bank, Florida First National Bank of Jacksonville, Jacksonville, Florida ("Jacksonville Bank"), in its capacity as corporate trustee of the duPont Trust, the investigation disclosed no evidence of efforts by or on behalf of the Trust to influence the day-to-day operations or policies of Florida National. The lack of such evidence, in the Board's view, was significant indication of Florida National's ability to carry on its operations independent of the duPont Trust or any of its related interests.

While it thus appeared to the Board that the 1974 divestiture of the Shares by the duPont Trust to the Miami Bank was substantially effective in terminating the control relationship between Florida National and the duPont Trust, the Board was concerned that if Florida National were to purchase the Shares, certain other relationships between the duPont Trust and Florida National might provide the duPont Trust with the potential ability to influence the affairs of Florida National and its subsidiary banks in a manner inconsistent with the objectives sought by Congress in the 1966 Amendments to the Act. This potential would, of course, have been significantly lessened if the Shares had been sold to FNA, or to a third party block purchaser because a countervailing ownership force would thereby have been created and the purchaser's very substantial equity investment in the Shares would have created a strong incentive on the part of the purchaser to act in its own interest and independent of the duPont Trust.

Because Florida National's purchase of the Shares would eliminate the possible creation of such an independent ownership interest, it was necessary, in the Board's view, that an approval of that purchase be accompanied by the imposition of protective restraints that would assure an effective and permanent separation of Florida National's banking and related interests from the duPont Trust's nonbanking interests in order to carry out the 1966 mandate of Congress. The requirements imposed in the Baord's Order of September 21, 1977, were designed and are intended by the Board to remove any remaining potential for the duPont Trust to exert control or a controlling influence over Florida National and its subsidiary banks. These protective requirements should also strengthen the ability and resolve of the management of Florida National to continue to operate the holding company independent of the duPont Trust. The Order directs the termination of all remaining relationships between the duPont Trust and Florida National, and prohibits the creation of future relationships that offer the potential for a continuation of reestablishment of the duPont Trust in a control relationship with respect to Florida National.

Significant among the relationships that the Board has directed be terminated, is the continued service of the Jacksonville Bank as corporate trustee of the duPont Trust. So long as the Jacksonville Bank remained a trustee of the duPont Trust it not only shared legal title to the nonbanking assets held in the Trust,[7] but potentially held a position as the deciding and controlling vote in the event of disagreements among the individual trustees.[8] In view of the continuing disagreement and litigation among the individual trustees, the significance of the Jacksonville Bank's position in this regard could have provided an incentive for the Trust or individual trustees to attempt to exert influence over Florida National with regard to the administration of the affairs of the Trust. In the Board's judgment, these

[6]In the course of the investigation, the Board's representatives personally interviewed all of the trustees of the duPont Trust, all of the FNA officers, senior officials and directors of Florida National and its subsidiary banks, as well as a number of other persons whose interests were known to be adverse to those of the duPont Trust, Mr. Ball or FNA.

[7]Section 4(c)(4) of the Act exempts from the Act's prohibitions against ownership or control of nonbanking assets by a bank holding company shares held in good faith in a fiduciary capacity, except where such shares are held under a trust that itself constitutes a "company" as defined in the Act. Since the duPont Trust is a "company" within the Act's definition, this exemption is not available to Florida National.

[8]As corporate trustee, the Jacksonville Bank had power not only to break a tie vote among the individual trustees, but to vote in such a way as to create a tie vote among the trustees and then to vote again to break the tie.

factors, as well as the desirability in general of separating the Jacksonville Bank from involvement with the business interests of the Trust, weighed heavily for removal of the Jacksonville Bank as corporate trustee.

Although the Board's Order does not contain provisions addressed directly to the personal stock ownership in Florida National of Mr. Ball or the Estate of Jessie Ball duPont, the Board recognizes that at present these interests together represent the largest single block of stock in Florida National. The Board believes, however, that the protective provisions contained in the Order are fully adequate to insure that this stock interest cannot be used to reestablish a control relationship between the duPont Trust and Florida National.

The Board intends to monitor closely the operations of Florida National and relationships between Florida National and the duPont Trust and its representatives and it will not hesitate to take action to insure compliance with the terms and purposes of this Order. In this regard, the Board emphasizes that the officers and directors of Florida National and its subsidiaries, and particularly those directors who are not also officers, bear a heavy responsibility for assuring that both the letter and spirit of the Order are faithfully observed.

Board of Governors of the Federal Reserve System, October 3, 1977.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

ORDER UNDER SECTIONS 3 AND 4 OF THE BANK HOLDING COMPANY ACT

D. H. Baldwin Company
Cincinnati, Ohio

Order Approving Formation of Bank Holding Company and Acquisiton of Nonbanking Activities

D. H. Baldwin Company, Cincinnati, Ohio,[1] has applied for the Board's approval under § 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) to form a bank holding company through acquisition of 87.2 per cent of the voting shares of the successor by merger to D. H. Baldwin Company, Cincinnati, Ohio ("Baldwin-Ohio"),[2] and thereby to acquire indirectly Baldwin-Ohio's direct and indirect interests in its twelve subsidiary banks. The company into which Baldwin-Ohio is to be merged has no significance except as a means to facilitate the acquisition of the voting shares of Baldwin-Ohio. Therefore, the proposed acquisition of shares of the successor organization is treated herein as the proposed acquisition of the shares of Baldwin-Ohio.

Applicant has also applied, pursuant to § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y, for permission to indirectly engage in the following nonbanking activities of Baldwin-Ohio: data processing, mortgage banking, real and personal property leasing, consumer finance, and credit-related insurance agency activities. Such activities have been previously determined by the Board to be closely related to banking (12 CFR § 225.4(a)(1), (3), (6), (8), and (9)(ii)).

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been given in accordance with §§ 3 and 4 of the Act (42 *Federal Register* 33805 (1977)). The time for filing comments and views has expired, and the Board has considered the applications and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)), and the considerations specified in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, a nonoperating Delaware corporation, was organized as part of a corporate reorganization whereby Applicant will acquire control of an existing multibank holding company, Baldwin-Ohio, with a view toward eventual separation of its banking and commercial activities in furtherance of the purposes of the Act. The proposal involves applicant's direct acquisition of 87.2 per cent of the voting shares of Baldwin-Ohio and indirect acquisition of

[1]The original application was filed by New Parent Company (a Delaware corporation), Cincinnati, Ohio; however, New Parent Company's name was changed to D. H. Baldwin Company in order to protect that name in Delaware.

[2]Baldwin-Ohio became a bank holding company as a result of the 1970 Amendments to the Bank Holding Company Act of 1956 by virtue of its indirect ownership of more than 25 per cent of the voting shares of The Central Bank and Trust Company, Denver, Colorado. Baldwin-Ohio has been engaged in the manufacturing and selling of musical instruments for over 100 years and continues to engage in these activities on the basis of permanent grandfather privileges pursuant to the proviso contained in § 4(a)(2) of the Act. Baldwin-Ohio also engages through subsidiaries in the activities of operating a savings and loan association and underwriting life and casualty insurance, which may not be retained beyond December 31, 1980, pursuant to § 4(a)(2) of the Act (see 59 Federal Reserve BULLETIN 536 (1973) and 63 Federal Reserve BULLETIN 280 (1977)).

the banking and nonbanking subsidiaries of Baldwin-Ohio. Accordingly, the nature and scope of Applicant's banking and nonbanking activities will be identical to that of Baldwin-Ohio.

Baldwin-Ohio, the fourth largest commercial banking organization in Colorado, controls 12 banks with aggregate deposits of $664.5 million, representing approximately 7.9 per cent of the total deposits held by commercial banks in the State.[3] Inasmuch as the proposed transaction is merely a corporate reorganization of existing ownership interests, the Board finds that consummation of the proposal would not eliminate existing or potential competition or increase the concentration of banking resources in any relevant market. Accordingly, competitive considerations are consistent with approval of the application.

The financial and managerial resources and future prospects of Applicant, which are dependent upon those of Baldwin-Ohio, are considered to be generally satisfactory and their future prospects appear favorable. Thus, considerations relating to banking factors are consistent with approval.

While consummation of the proposal would result in no immediate alterations of Baldwin-Ohio's banking operations and it appears that the needs of its banking customers are being adequately met, considerations relating to convenience and needs of the community to be served are consistent with approval. Accordingly, it is the Board's judgment that Applicant's proposal to form a bank holding company would be consistent with the public interest and that the application should be approved.

In connection with its application to become a bank holding company, Applicant has also applied to acquire indirectly the following permissible nonbanking activities and subsidiaries of Baldwin-Ohio: Computer Congenerics Corporation of Colorado (data processing), located in Denver and Grand Junction, Colorado; C. C. Fletcher Mortgage Company (mortgage banking), Cincinnati, Ohio; Baldwin Finance Company and its subsidiary, The Baldwin Company (real and personal property leasing and consumer finance), both located in Cincinnati, Ohio; FMC-Baldwin Leasing Company (personal property leasing), Chicago, Illinois; and Louisville Mortgage Service Company (mortgage banking and credit-related insurance), Louisville, Kentucky. Since the proposed transaction is essentially a corporate reorganization and Baldwin-Ohio presently engages in such activities, it does not appear that approval of Applicant's proposal would have any significant effect on existing or future competition. On the other hand, approval of the applications would assure Baldwin-Ohio's customers of the continuation of convenient sources of such nonbanking services. Furthermore, there is no evidence in the record indicating that consummation of this proposal would result in any undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects upon the public interest.

Based upon the foregoing and other considerations reflected in the record, the Board has determined in accordance with the provisions of § 4(c)(8) of the Act that consummation of this proposal can reasonably be expected to produce benefits to the public that outweigh possible adverse effects and that the applications to engage in certain nonbanking activities should be approved.

The proposed acquisition of Baldwin-Ohio by Applicant also involves the acquisition by the latter of certain nonbanking activities that are being engaged in by Baldwin-Ohio pursuant to the provisions of § 4(a)(2) of the Act, including the grandfather proviso of that section. The Board regards Applicant as a "successor" to Baldwin-Ohio within the meaning of § 2(e) of the Act,[4] and as such it will be entitled to all the rights accorded by, and subject to all the obligations imposed by the Act upon Baldwin-Ohio.[5] Accordingly, the Board believes that Applicant may retain and engage in those nonbanking activities to the same extent and duration that Baldwin-Ohio is presently entitled to engage in such activities.

On the basis of the record, the applications are approved for the reasons summarized above. The acquisition of Baldwin-Ohio's banking subsidiaries shall not be made before the thirtieth calendar day following the effective date of this Order; and the acquisition of neither the banking nor the nonbanking subsidiaries shall be accomplished later than three months after the effective date of this Order unless such period is extended for good cause by

[3]All banking data are as of December 31, 1976, unless otherwise indicated.

[4]As a "successor" to Baldwin-Ohio, Applicant is deemed, pursuant to § 2(a)(6) of the Act, to be a bank holding company from the date on which Baldwin-Ohio became a bank holding company, *i.e.*, December 31, 1970.

[5]In this connection, the Board notes that Baldwin-Ohio has indicated that it intends to file, upon approval of the subject applications, an irrevocable declaration pursuant to § 4(c)(12) of the Act and § 225.4(d) of Regulation Y that it will cease to be a bank holding company. In the event that such a declaration is filed and the proposed transaction is consummated, the Board would also view Applicant, Baldwin-Ohio's successor pursuant to § 2(e) of the Act, as a successor to the privileges and commitments imposed by such declaration.

the Board or by the Federal Reserve Bank of Kansas City, with respect to the banking subsidiaries, pursuant to delegated authority, and, with respect to the nonbanking subsidiaries, pursuant to authority delegated hereby. The determination as to Applicant's permissible nonbanking activities is subject to the conditions set forth in § 225.4(c) of Regulation Y and to the Board's authority to require reports by, and to make examinations of, bank holding companies and their subsidiaries and to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective September 14, 1977.

Voting for this action: Vice Chairman Gardner and Governors Coldwell, Jackson, and Partee. Absent and not voting: Chairman Burns and Governors Wallich and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

ORDERS UNDER SECTION 4 OF BANK HOLDING COMPANY ACT

Financial Services Corporation of the Midwest Rock Island, Illinois

Order Approving Acquisition of a Consumer Finance Company

Financial Services Corporation of the Midwest, Rock Island, Illinois, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 4(c)(8) of the Act and § 225.4(b)(2) of the Board's Regulation Y to acquire, through a recently established subsidiary, Federal Discount Company, all of the voting shares of Federal Discount Corporation, Dubuque, Iowa ("FDC"), a company that engages, through seven subsidiary companies, in the activities of making consumer instalment loans, purchasing consumer instalment sales finance contracts, and acting as agent for the sale of credit life and credit accident and health insurance related to extensions of credit by the subsidiaries of FDC. Such activities have been determined by the Board to be closely related to banking (12 C.F.R. § 225.4(a)(1) and (9)(ii)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (42 Fed. Reg. 34553 (1977)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant controls one bank, the ninety-first largest commercial bank in Illinois, with deposits of approximately $88 million, representing approximately 0.14 per cent of total deposits in commercial banks in the State.[1] Applicant also controls FSC Money Shops, a consumer finance subsidiary with offices in Moline, East Moline, and Milan, Illinois.

FDC operates its consumer finance business in the States of Iowa, Illinois, Wisconsin, Minnesota, and North Dakota, through subsidiaries known as Thrift Plan, Inc. (Iowa), Community Loan Corporation (Illinois), Citizens Loan and Investment Company (Wisconsin and Minnesota), Phoenix Budget Loans, Inc. (Minnesota), Citizens Loan and Finance Company (Wisconsin), and Phoenix Finance Company (North Dakota).[2] FDC also controls 20.49 per cent of the outstanding stock of Dubuque Bank and Trust Company, Dubuque, Iowa, all of which stock will be distributed to the present common stockholders[3] of FDC as part of the acqui-

[1]Unless otherwise noted, banking data are as of December 31, 1976.

[2]FDC and its consumer finance subsidiaries sell short-term subordinated invenstment notes and certificates ("thrift notes") to small investors in order to augment their operating funds. As of June 30, 1977, the aggregate amount of such thrift notes, excluding approximately $4.0 million issued in passbook form by two of FDC's subsidiaries licensed as industrial loan companies and examined on a periodic basis by State regulatory authorities, was $12.0 million, representing approximately 30 per cent of FDC's total consolidated assets, less its investments in Life of Mid-America Insurance Company and Dubuque Bank and Trust Company (both of Dubuque, Iowa), which will be divested as part of the acquisition transaction, (a) no sales of thrift notes issued by FDC or its finance company subsidiaries would be made by them in the principal service area of Applicant's subsidiary bank; (b) all such thrift notes would indicate that they are not obligations of or guaranteed by any bank and are not covered by federal deposit insurance; (c) the net proceeds from the sale of such notes by FDC and its subsidiaries would be used solely for the purpose of providing funds for FDC's consumer finance business; and (d) within a year of consummation of the proposed acquisition, the aggregate principal amount of such notes and certificates would be reduced so as not to exceed 25 per cent of FDC's total consolidated assets. On the basis of all of the facts of record, the Board has determined that the issuance and sale of such notes by FDC and its subsidiaries subject to the above conditions would not result in a violation of the Banking Act of 1933 (the Glass-Steagall Act) by reason of the affiliation of Applicant's member bank subsidiary with FDC.

[3]At no point will Applicant or its recently established subsidiary, Federal Discount Company, own or control any of such bank's stock.

sition transaction. In addition, FDC owns all of the capital stock of an insurance company, Life of Mid-America Insurance Company, Dubuque, Iowa, which as a part of this application, FDC has committed to divest.

FDC competes in fifty-eight local consumer finance markets, one of which—the "Quad Cities" consumer finance market, the Davenport, Iowa/Rock Island, Illinois Ranally Metropolitan Area, the relevant geographic market for purposes of reviewing this application—is also the primary consumer finance market in which Applicant's subsidiary bank and consumer finance company compete. Applicant holds, through its bank subsidiary and three offices of its consumer finance subsidiary, approximately $16.7 million in consumer finance receivables originated in the Quad City market area, representing approximately 8.5 per cent of the total amount of such receivables originated by financial institutions in the market. FDC controls, through two offices of its consumer finance subsidiary operating in Illinois, approximately $1.2 million of consumer finance receivables that were originated in the Quad Cities market, representing 0.6 per cent of total receivables originated by financial institutions in the market.[4] Thus, upon consummation of the proposed acquisition, Applicant's share of the Quad Cities consumer finance market would increase only slightly. In view of the insubstantial increase in Applicant's market share and the competitive structure of consumer finance lending in the Quad Cities market, it appears that consummation of the proposal would not have any significant adverse effects on existing competition in the relevant area. In that Applicant is not one of the most likely entrants into other consumer finance markets in which FDC competes, it does not appear that consummation of the proposed acquisition would eliminate any substantial amounts of competition. Furthermore, there is no evidence in the record indicating that consummation of this proposed transaction would result in any undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects upon the public interest.

Consummation of the proposed acquisition would facilitate FDC's provision of increased consumer services, such as home improvement loans, secondary mortgages on developed real estate, and vehicle financing. Accordingly, it appears that the acquisition proposal would produce benefits to the public that are consistent with and lend weight toward approval of this application.

Based upon the foregoing and other considerations reflected in the record, the Board has determined, in accordance with the provisions of § 4(c)(8) of the Act, that Applicant's acquisition of FDC can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in § 225.4(c) of Regulation Y 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 the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The transaction shall be made 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 Chicago, pursuant to authority hereby delegated.

By order of the Board of Governors, effective September 9, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, Coldwell, and Lilly. Absent and not voting: Governors Jackson and Partee.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[4]Within the Quad Cities market, Applicant and FDC generally compete with 28 consumer finance companies, 27 commercial banks and 125 credit unions.

First Commerce Corporation
New Orleans, Louisiana

Order Approving
Acquisition of Downtown Finance Plan, Inc.

First Commerce Corporation, New Orleans, Louisiana, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval, under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)) to acquire indirectly through its wholly-owned subsidiary, First Money, Inc., ("Money") certain consumer promissory note obligations of Downtown Finance Plan, Inc. ("Company") a company that engages in the activity of making of both secured and unsecured consumer extensions of credit and the sale of credit life and credit accident and health insurance in connection with those extensions of credit. Such activities have been determined by the Board to be closely related to banking (12 C.F.R. § 225.4(a)(1) and (9)). Although title to the stock of Company will remain in its current shareholders, these shareholders plan to liquidate Company after the sale of assets to Applicant, and, accordingly, the proposed acquisition of Company's assets is treated herein as an acquisition of Company.

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (42 *Federal Register* 37598 (1977)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, the second largest banking organization in Louisiana, controls the First National Bank of Commerce, New Orleans, Louisiana, with aggregate deposits of $611.9 million representing approximately 4.7 per cent of the total deposits in commercial banks in the State.[1] Money engages in the activities of extending credit to consumers, selling credit life and credit accident and health insurance, and engaging in certain leasing activities. Applicant proposes to acquire assets of Company valued at approximately $145,000 and to serve customers of Company affected by the sale from a nearby office of Money.

Although Money engages in consumer finance activities at the present time, it does not appear that any significant existing competition would be eliminated by this acquisition inasmuch as Company is one of 195 finance companies operating in the New Orleans metropolitan area[2] and accounts for a small proportion of the business of these companies. Company will close its sole office irrespective of the Board's action on the instant application and thus the market would lose a competitor in any case. Accordingly, the Board finds that Applicant's acquisition of Company would not have any significant effect upon competition.

It appears that consummation of this proposal would not result in any undue concentration of resources, conflicts of interests, unsound banking practices, or any other adverse effects on the public interest.

[1]All banking data are as of December 31, 1976.

[2]The New Orleans metropolitan area consists of Orleans, Jefferson, St. Bernard, Plaquemines, and St. Tammany Parishes.

As a result of this proposal, Money will be able to offer Company's customers a greater variety of loans than those now offered by Company and a full range of other consumer finance services. In the Board's judgment, the slight addition to market concentration that would result from this proposal is outweighed by the public benefits that will result from the proposal.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors the Board is required to consider under § 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in § 225.4(c) of Regulation Y 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 the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The transaction shall be made 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, pursuant to authority hereby delegated.

By order of the Board of Governors, effective September 21, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, Coldwell, Jackson, Partee, and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Landmark Banking Corporation of Florida
Fort Lauderdale, Florida

Order Approving Application to Engage in the Activity of Providing Management Consulting Advice

Landmark Banking Corporation of Florida, Fort Lauderdale, Florida, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval, under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 CFR § 225.4(b)(2)), to engage *de novo* in the activity of providing management consulting advice to nonaffiliated commercial banks. Such activity has been determined by the Board to be closely related to banking (12 CFR § 225.4(a)(12)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (42 *Fed. Reg.* 34554 (1977)). The time for filing comments and views has expired, and the Board has considered the application and all comments received, including those submitted by the United States Department of Justice, in the light of the public interest factors set forth in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, the eighth largest commercial banking organization in Florida, controls seventeen banks with aggregate deposits of approximately $869 million, representing 3.2 per cent of the total deposits in commercial banks in the State.[1] Applicant is also engaged, through nonbank subsidiaries, in the permissible nonbank activities of providing investment advisory and mortgage banking services.

Applicant proposes to engage *de novo* in providing management consulting advice to nonaffiliated commercial banks on an explicit fee basis only. Such consulting services would include advice concerning bank operations, systems and procedures, computer operations and mechanization, cost analysis, and site planning. Since Applicant proposes to engage in these activities *de novo*, it does not appear that any meaningful competition would be eliminated or potential competition foreclosed as a result of approval of the application. Rather, it appears that Applicant's *de novo* entry into this industry should have a procompetitive effect by increasing the number of firms offering this specialized consulting advice. Furthermore, by making this service available on an explicit fee basis rather than as a correspondent banking service, clients will be able to analyze more accurately the cost of such services and may be able to allocate their funds more efficiently.

There is no evidence in the record to indicate that Applicant's engaging in the activity of providing management consulting advice would result in any undue concentration of resources, unfair competition, conflicts of interests or unsound banking practices.[2]

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors the Board is required to consider under § 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in § 225.4(c) of Regulation Y 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 the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The transaction shall be made 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, pursuant to authority hereby delegated.

By order of the Board of Governors, effective September 26, 1977.

Voting for this action: Governors Wallich, Coldwell, Jackson and Partee. Absent and not voting: Chairman Burns and Governors Gardner and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Republic New York Corporation
New York, New York

Order Approving
Retention of Republic Clearing Corporation

Republic New York Corporation ("Republic"), New York, New York, and its five parent bank holding companies have applied, pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) and section § 225.4(a) and (b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(a) and (b)(2)), for permission to retain voting shares of their subsidiary, Republic Clearing Corporation ("RCC"), New York, New York, after that company expands the activities in which it engages to include acting as a futures commission merchant to execute, for the account of persons

[1] Unless otherwise noted,all banking data are as of December 31, 1976.

[2] In connection with the subject application, the United States Department of Justice submitted a letter expressing concern that possible conflicts of interests could result from approval of this proposal. However, at the time the Board adopted the activity of providing management consulting advice to nonaffiliated banks pursuant to section 4(c)(8) of the Act, the Board considered the potential for conflicts of interests resulting from a bank holding company's engaging in this activity. In recognition of this potential, the Board incorporated in Regulation Y a number of restrictions upon a bank holding company's performance of this activity, including the stipulation that any bank holding company providing management consulting advice must disclose to each potential client bank the names of all banks that are affiliates of the consulting company and the names of all existing client banks located in the same market area(s) as the potential client. The Board is of the opinion that these restrictions provide ample protection against possible conflicts of interests.

whose business is entirely or substantially devoted to trading and dealing in gold and silver bullion and coins ("precious metals professionals"), futures contracts covering gold and silver bullion and coins on contract markets of which RCC is a member.[1] RCC now provides this service for the account of two affiliated banks, and the sole purpose of these applications is to permit RCC to extend the same service to certain customers of those banks. This activity has not been specified by the Board in section 225.4(a) of Regulation Y as permissible for bank holding companies.

Notice of receipt of these applications, affording opportunity for interested persons to submit views and comments, has been given in accordance with section 4 of the Act (42 *Fed. Reg.* 31626 and 38015) and the time for filing views and comments has expired. No request for a hearing has been received, but the Board has received a number of comments, favoring and opposing approval, and has considered the applications and those comments in light of the considerations specified in section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicants are bank holding companies by virtue of their direct and indirect ownership of voting shares of Republic National Bank of New York ("Bank"), New York, New York.[2] RCC is a direct wholly owned subsidiary of Republic and is consequently an indirect subsidiary of the remaining Applicants. RCC was organized in December 1974, and is held by Applicants under authority of section 4(c)(1)(C) of the Act, which permits a bank holding company to own shares of a company engaged solely in furnishing or performing services for the bank holding company or of its banking subsidiaries. In accordance with that limitation, RCC has become a member of four contract markets[3] and has acted as a futures commission merchant[4] executing futures contracts in gold and silver solely for the account of Bank and Trade Development Bank, one of its parent bank holding companies.[5] Applicants now propose that RCC extend this service to those customers of Bank and Trade Development Bank who are precious metals professionals. Such an expansion requires Board approval because RCC would no longer be engaged *solely* in furnishing or performing services for Bank and its parent bank holding companies, and it would accordingly lose the benefit of the exemption it currently enjoys under section 4(c)(1)(C) of the Act.[6]

In order to approve these applications under section 4(c)(8), the Board must determine that the proposed activity is so closely related to banking or managing or controlling banks as to be a proper incident thereto. The Board has previously determined certain gold and silver coin and bullion activities to be closely related to banking. In its Order of September 27, 1973, the Board, on the basis of that determination, permitted Standard and Chartered Banking Group, Limited, London, England, a foreign bank holding company, to acquire directly 30 per cent of the voting shares of Mocatta Metals, Inc. ("Mocatta"), New York, New York, and to acquire indirectly Mocatta's five subsidiaries, one of which was organized to engage in the same activity that is the subject of the present applications.[7] Bank has been active in international banking activities and in the precious metals field for a number of years, and upon examination of the facts of record of the present applications, including the fact that the proposed service appears to be an integral adjunct to precious metals professionals' other gold and silver dealings with Bank and is fundamentally a substitute for or variation of other

[1]Trade Development Holland Holding B.V., Amsterdam, The Netherlands; Trade Development Finance (Netherlands Antilles) N.V., Curacao, The Netherlands Antilles; Trade Development Bank, Geneva, Switzerland; Trade Development Bank Holding S.A., Luxembourg, Luxembourg; and Saban S.A., Panama, Panama.

[2]Pursuant to a reorganization approved by the Board June 20, 1977 (63 Federal Reserve BULLETIN 683), Trade Development Bank has no actual direct or indirect ownership of Bank's shares, and a request is now pending before the Board, approval of which would have the effect of terminating Trade Development Bank's status as a bank holding company.

[3]Commodity Exchange, Inc. and New York Mercantile Exchange, New York, New York; International Money Market Division of Chicago Mercantile Exchange, Inc., Chicago, Illinois; and Winnepeg Commodity Exchange, Winnepeg, Canada. Bank could itself become a clearing member of an exchange and engage in the activities now engaged in by RCC under section 4(c)(1)(C). *See* letter of March 12, 1975, to Bank from J. T. Watson, Deputy Comptroller of the Currency. RCC is not a clearing member of the Winnepeg Commodity Exchange.

[4]A futures commission merchant, as defined in 7 U.S.C. § 2, includes a corporation engaged in soliciting or accepting orders for the purchase or sale of a commodity for future delivery on or subject to the rules of any contract market and that accepts, in connection with such business, money or other property (or extends credit in lieu thereof) to margin, guarantee, or secure any resulting trades or contracts.

[5]RCC also now acts as a futures commission merchant in executing futures contracts in foreign exchange on behalf of Bank and Trade Development Bank, but under Applicant's proposal RCC would not offer this service to other persons.

[6]In addition to prior Board approval, RCC must register as a futures commission merchant with the Commodity Futures Trading Commission before it offers its service to precious metals professionals.

[7]38 *Fed. Reg.* 27552. The Board's Order was based in part on the express statutory authority of national banks to purchase and sell bullion and coin, and the Order specifically required Mocatta to terminate its trading activities in platinum, palladium, and all other commodities not so authorized.

precious metals services Bank currently provides to its customers, the Board has determined that in this instance acting as a futures commission merchant for the execution of futures contracts covering gold and silver bullion and coins on contract markets is closely related to banking.

To approve these applications the Board must also determine that the proposed activity is a proper incident to banking or managing or controlling banks. This test requires the Board to consider whether the performance of the proposed activity by RCC in accordance with the terms of these applications "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

Commencement by RCC of the proposed activity may be expected to serve the convenience of Applicants' precious metals customers, and it would have a procompetitive effect in the limited precious metals field, permitting Applicants to compete on a more equal footing with their competitors by providing a full range of precious metals services required by Applicants' customers and generally available from their competitors. Approval is expected to result as well in certain gains in efficiency, as spreading the fixed costs of RCC's existing operation over a greater volume of business will result in lower costs per transaction.

With respect to possible adverse effects, nothing in the record indicates that Applicants' proposal would result in any undue concentration of resources or unfair competition. The Board recognizes there is some potential in the proposal for conflicts of interests and for financial exposure that could lead to unsound banking practices. Both areas of concern, however, are subject to regulation and safeguards prescribed by the exchanges and the Commodity Futures Trading Commission, and the Board is particularly influenced by Bank's long experience and demonstrated competence in the coin and bullion field in concluding that in this specific case the public benefits to be derived from Applicant's proposal outweigh these potential adverse effects. The Board is also influenced by the fact that RCC will provide its futures commission merchant service only to those customers of Bank and Trade Development Bank who are precious metals professionals, and RCC does not propose to solicit or provide the service to any other unaffiliated person.[8]

Accordingly, on the basis of the record and for the reasons summarized above, the applications are approved, subject to the limitations specified in the applications that Applicants restrict RCC's gold and silver futures commission merchant service to Bank, Trade Development Bank, and those of their customers whose business is entirely or substantially devoted to dealing or trading in gold and silver bullion and coins (including futures contracts pertaining thereto), and that RCC not solicit or accept such business from other persons or advertise the service in the financial press or other mass media. RCC shall commence its proposed activity 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 New York pursuant to authority hereby delegated. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y, and to the Board's authority to require reports by and make examinations of bank holding companies and their subsidiaries, and to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act or to prevent evasion thereof.

By order of the Board of Governors, effective September 14, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich and Partee. Voting against this action: Governors Jackson and Lilly. Absent and not voting: Chairman Burns and Governor Coldwell.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[8]Under section 4(c)(8) the Board may proceed either by Order or regulation to determine whether an activity is closely related and a proper incident to banking. The Board has determined to act on these applications by Order. The record reflects that the financial risks associated with a "wholesale" futures business, such as that specifically proposed, are materially less than those inherent in a "retail" futures business, and the Board has not undertaken to assess generally the balance of public interest factors outside the narrow and limited scope of Applicants' specific proposal. This balance could be struck differently in the case of any bank holding company less fit than Applicants by experience and by the character of its general banking business to engage in the activity, or in the case of any proposal to solicit or serve a broad range of customers.

Dissenting Statement of Governor Jackson

I would not approve these applications because I do not consider the activity of a futures commission merchant business, even limited to gold and silver, closely related or a proper incident to banking or managing or controlling banks. While dealing in gold and silver is specifically authorized by law, banks in this country do not engage in the business of commodity brokerage. I do not believe that the brokerage function is necessary to perform the dealership function. An adverse effect of authorizing the brokerage function in addition to the dealer function is the potential conflict of interest which would arise when the broker is called upon to service the needs of its affiliate banks at the same time outside customers require similar services. This potential for conflict is obvious in commodity futures operations, which have daily trading limits. In view of the narrow range of customers that Applicant proposes to serve and the availability of these services elsewhere, I see insufficient public benefits to offset this adverse effect.

DETERMINATIONS REGARDING "GRANDFATHER PRIVILEGES" UNDER BANK HOLDING COMPANY ACT

Colorado Funding Company
Denver, Colorado

Section 4 of the Bank Holding Company Act (12 U.S.C. 1843) provides certain privileges ("grandfather privileges") with respect to nonbanking activities of a company that, by virtue of the 1970 Amendments to the Bank Holding Company Act, became subject to the Bank Holding Company Act. Pursuant to § 4(a)(2) of the Act, a "company covered in 1970" may continue to engage, either directly or through a subsidiary, in nonbanking activities that such company was lawfully engaged in on June 30, 1968 (or on a date subsequent to June 30, 1968, in the case of activities carried on as a result of the acquisition by such company or subsidiary, pursuant to a binding written contract entered into on or before June 30, 1968, of another company engaged in such activities at the time of the acquisition), and has been continuously engaged in since June 30, 1968 (or such subsequent date).

Section 4(a)(2) of the Act provides, *inter alia*, that the Board of Governors of the Federal Reserve System may terminate such grandfather privileges if, having due regard to the purposes of the Act, the Board determines that such action is necessary to prevent undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. The Board is required to make such a determination with respect to a company that controls a bank with assets in excess of $60 million on or after December 31, 1970.

Notice of the Board's proposed review of the grandfather privileges of Colorado Funding Company, Denver, Colorado, affording an opportunity for interested persons to submit comments and views or request a hearing, has been given (40 *Fed. Reg.* 57398). The time for filing comments, views, and requests has expired, and all those received have been considered by the Board in light of the factors set forth in § 4(a)(2) of the Act.

On the evidence before it, the Board makes the following findings. Colorado Funding Company, Denver, Colorado ("Registrant"), became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the Act, by virtue of Registrant's ownership of approximately 97.5 per cent of the voting shares of The Colorado State Bank of Denver, Denver, Colorado ("Bank") (assets of $66.5 million as of December 31, 1973). Bank, control of which was acquired by Registrant in November 1964, had total deposits of approximately $67.1 million as of December 31, 1976, representing 1.3 per cent of the aggregate deposits in commercial banks in the Denver banking market,[1] and is the eleventh largest banking organization in that market. Bank's managerial and financial resources, and its future prospects are regarded as generally satisfactory, and the Board has found no evidence of any unsound banking practices.

On June 1, 1967, Registrant purchased Brancucci Produce Company, and has operated it as a subsidiary since that time. Brancucci Produce Company is based on Adams City, Colorado, a suburb of Denver, and is engaged in the wholesale processing and distribution of produce. In 1976 net income from this operation was $62,000 representing 6.9 per cent of Registrant's income for that year. Since Registrant has been engaged in this activity continuously since prior to June 30, 1968, it appears to be eligible for grandfather privileges.

[1] The Denver banking market is approximated by Denver, Adams, Arapahoe and Jefferson Counties, Colorado, and the Broomfield portion of Boulder County, Colorado.

On June 30, 1968, Registrant was engaged directly in the sale of credit life, health and accident insurance in connection with instalment loans made by Bank. However, since Registrant discontinued its insurance activities in December 1975, such activities are not eligible for grandfather privileges because Registrant has not been engaged in them continuously since June 30, 1968.

Registrant owns indirectly through Bank 100 per cent of Colorado State Bank Corporation, a limited partner in a partnership owning 50 per cent of the building occupied by Bank. Since such activities appear to be exempt from the prohibitions of section 4 of the Act by virtue of section 4(c)(1)(A) of the Act, Registrant need not rely on § 4(a)(2) of the Act for authority to continue such activities.

On the basis of the foregoing and all the facts before the Board, it appears that the volume, scope, and nature of the grandfathered activity of Registrant and its subsidiary do not demonstrate an undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

There appears to be no reason to require Registrant to terminate its interest in its grandfathered subsidiary. It is the Board's judgment that, at this time, termination of the grandfather privileges of Registrant is not necessary in order to prevent an undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. However, this determination is not authority to enter into any activity that was not engaged in on June 30, 1968 and continuously thereafter, or any activity that is not the subject of this determination.

A significant alteration in the nature or extent of Registrant's grandfathered activities or a change in location thereof (significantly different from that described in this determination) will be cause for a re-evaluation by the Board of Registrant's activities under the provisions of § 4(a)(2) of the Act, that is, whenever the alteration or change is such that the Board finds that a termination of the grandfather privileges is necessary to prevent an undue concentration of resources or any of the other adverse effects designated in the Act. No merger, consolidation, acquisition of assets other than in the ordinary course of business, or acquisition of any interest in a going concern, to which the Registrant or its nonbank subsidiary is a party, may be consummated without prior approval of the Board. Further, the provision of any credit, property, or service by the Registrant or any subsidiary thereof shall not be subject to any condition which, if imposed by a bank, would constitute an unlawful tie-in arrangement under section 106 of the Bank Holding Company Act Amendments of 1970.

The determination herein does not preclude a later review by the Board of Registrant's nonbank activities and a future determination by the Board in favor of termination of grandfather benefits of Registrant. The determination herein is subject to the Board's authority to require modification or termination of the activities of Registrant or any of its nonbanking subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasions thereof.

By determination of the Board of Governors, effective September 9, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Coldwell, and Jackson. Absent and not voting: Chairman Burns and Governors Partee and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

General Educational Fund, Inc.
Burlington, Vermont

Section 4 of the Bank Holding Company Act (12 U.S.C. 1843) provides certain privileges ("grandfather privileges") with respect to nonbanking activities of a company that, by virtue of the 1970 Amendments to the Bank Holding Company Act, became subject to the Bank Holding Company Act. Pursuant to § 4(a)(2) of the Act, a "company covered in 1970" may continue to engage, either directly or through a subsidiary, in nonbanking activities that such company was lawfully engaged in on June 30, 1968 (or on a date subsequent to June 30, 1968, in the case of activities carried on as a result of the acquisition by such company or subsidiary, pursuant to a binding written contract entered into on or before June 30, 1968, of another company engaged in such activities at the time of the acquisition), and has been continuously engaged in since June 30, 1968 (or such subsequent date).

Section 4(a)(2) of the Act provides, *inter alia*, that the Board of Governors of the Federal Reserve System may terminate such grandfather privileges if, having due regard to the purposes of the Act, the Board determines that such action is necessary to prevent undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. The Board is required to make such a determination with respect to a company that controls a bank with assets in excess of $60 million on or after December 31, 1970.

Notice of the Board's proposed review of the grandfather privileges of General Educational Fund, Inc., Burlington, Vermont, affording an opportunity for interested persons to submit comments and views or request a hearing, has been given (40 *Fed. Reg.* 57398). The time for filing comments, views, and requests has expired, and all those received have been considered by the Board in light of the factors set forth in § 4(a)(2) of the Act.

On the evidence before it, the Board makes the following findings. General Educational Fund, Inc., Burlington, Vermont ("Registrant"), became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the Act, by virtue of Registrant's ownership of more than 25 per cent of the outstanding voting shares of The Merchants Bank (formerly The Merchants National Bank of Burlington), Burlington, Vermont ("Bank") (assets of $64 million as of December 31, 1972). As of December 31, 1976, Bank was the fifth largest commercial bank in Vermont, controlling deposits of $86.7 million representing 5.8 per cent of total commercial bank deposits in the State. It is the smallest of three banks in the Chittenden County banking market, and controls 18.5 per cent of deposits in commercial banks in that market. Bank's managerial and financial resources and its future prospects are regarded as generally satisfactory, and the Board has found no evidence of any unsound banking practices.

Registrant is a charitable trust incorporated in 1918 under the laws of the State of Vermont ". . . for the purpose of aiding young men and women to obtain a common school or University Education, or both, or to learn a trade . . . provided that only those persons be aided, who, in the best judgment of the trustees of said corporation or their successors are worthy to receive such aid and are in need of same." Since Registrant has conducted these charitable activities continuously since prior to June 30, 1968, it would appear to be eligible for grandfather privileges for its charitable activities.

During the 1920's Registrant received as a donation over 50 per cent of the common stock of Bank and all of the common stock of The Farmers Trust Company, Burlington, Vermont ("Trust Company"). Since Trust Company does not accept deposits that the depositor has a legal right to withdraw on demand and does not engage in the business of making commercial loans, it is not a "bank" as defined in the Act. Accordingly, Registrant's ownership of the shares of Trust Company must be treated as an interest in a nonbanking organization. Since Registrant has controlled directly or indirectly 100 per cent of the shares of Trust Company continuously since prior to June 30, 1968, it would appear to be eligible for grandfather privileges for the activities of Trust Company.

Trust Company is a State-chartered trust company with total assets of $17.4 million as of December 31, 1973. Registrant's activities, investments and supervision are managed in a fiduciary capacity of Trust Company. Trust Company also functions as the trust department of the Bank and over the years, several proposals have been made to merge the two. In view of the longstanding relationship between Bank and Trust Company, as well as the fact that Bank engages in its trust activities through Trust Company, continuation of the existing relationship would not present any serious anticompetitive effects.

Registrant indirectly through Bank has two wholly-owned subsidiaries, Merchants Properties, Inc., and Batreal, Inc., each of which owns the land and buildings occupied by Bank. Additionally, Registrant indirectly through Bank owns 50 per cent of the shares of Vermont Realty, Inc., which owns a parking lot used for and by Bank. The activities of these companies appear to be exempt from the prohibitions of section 4 of the Act by virtue of section 4(c)(1)(A) of the Act, and Registrant need not rely on section 4(a)(2) of the Act to continue to engage in these activities.

On the basis of the foregoing and all the facts before the Board, it appears that the volume, scope, and nature of the grandfathered activities of Registrant and its subsidiary do not demonstrate an undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

There appears to be no reason to require Registrant to cease engaging in the activities it engages in directly nor to require Registrant to terminate its interest in its grandfathered subsidiary. It is the Board's judgment that, at this time, termination of the grandfather privileges of Registrant is not necessary in order to prevent an undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. However, this determination is not authority to enter into any activity that was not engaged in on June 30, 1968 and continuously thereafter, or any activity that is not the subject of this determination.

A significant alteration in the nature or extent of Registrant's grandfathered activities or a change in location thereof (significantly different from that described in this determination) will be cause for a re-evaluation by the Board of Registrant's activities under the provisions of § 4(a)(2) of the Act, that is, whenever the alteration or change is such that the Board finds that a termination of the grandfather privileges is necessary to prevent an undue concentration of resources or any of the other harmful effects designated in the Act. No merger, consolidation, acquisition of assets other than in the ordinary course of business, or acquisition of any interest in a going concern, to which the Registrant or its nonbank subsidiary is a party, may be consummated without prior approval of the Board. Further, the provision of any credit, property, or service by the Registrant or any subsidiary thereof shall not be subject to any condition which, if imposed by a bank, would constitute an unlawful tie-in arrangement under section 106 of the Bank Holding Company Act Amendments of 1970.

The determination herein does not preclude a later review by the Board of Registrant's nonbank activities and a future determination by the Board in favor of termination of grandfather benefits of Registrant. The determination herein is subject to the Board's authority to require modification or termination of the activities of Registrant or any of its nonbanking subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasions thereof.

By determination of the Board of Governors, effective September 13, 1977.

Voting for this action: Vice Chairman Gardner, Governors Wallich, Coldwell, and Jackson. Absent and not voting: Chairman Burns and Governors Partee and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Valley Financial Services, Inc.
Elkhart, Indiana

Determination
Regarding "Grandfather Privileges"
Under Bank Holding Company Act

Section 4 of the Bank Holding Company Act (12 U.S.C. 1843) provides certain privileges ("grandfather privileges") with respect to nonbanking activities of a company that, by virtue of the 1970 Amendments to the Bank Holding Company Act, became subject to the Bank Holding Company Act. Pursuant to § 4(a)(2) of the Act, a "company covered in 1970" may continue to engage, either directly or through a subsidiary, in nonbanking activities that such company was lawfully engaged in on June 30, 1968 (or on a date subsequent to June 30, 1968, in the case of activities carried on as a result of the acquisition by such company or subsidiary, pursuant to a binding written contract entered into on or before June 30, 1968, of another company engaged in such activities at the time of the acquisition), and has been continuously engaged in since June 30, 1968 (or such subsequent date).

Section 4(a)(2) of the Act provides, *inter alia*, that the Board of Governors of the Federal Reserve System may terminate such grandfather privileges if, having due regard to the purposes of the Act, the Board determines that such action is necessary to prevent undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. The Board is required to make such a determination with respect to a company that controls a bank with assets in excess of $60 million on or after December 31, 1970.

Notice of the Board's proposed review of the grandfather privileges of Valley Financial Services, Inc., Elkhart, Indiana, affording an opportunity for interested persons to submit comments and views or request a hearing, has been given (40 *Fed. Reg.* 57398). The time for filing comments, views, and requests has expired, and all those received have been considered by the Board in light of the factors set forth in § 4(a)(2) of the Act.

On the evidence before it, the Board makes the following findings. Valley Financial Services, Inc., Elkhart, Indiana ("Registrant"), became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the Act, by virtue of Registrant's ownership of approximately 81 per cent of the voting shares of Valley Bank and Trust Company, Mishawaka, Indiana ("Bank") (assets of $67.5 million as of December 31, 1974). Bank, control of which was acquired by Registrant in January, 1966, had total deposits of approximately $77.4 million as of December 31, 1976, representing 6.5 per cent of the total deposits in the South Bend banking market,[1] and is the seventh largest of fifteen banking organizations in that banking market. Bank's managerial and financial resources and future prospects are regarded as generally satisfactory, and the Board has found no evidence of any unsound banking practices.

Registrant is a finance company and engages directly in sales finance and secured and unsecured direct instalment lending, and apparently has engaged in such activities continuously since before June 30, 1968. In addition, Registrant has three wholly-owned subsidiary finance companies which also engage in sales finance and direct instalment lending: Owners Discount Corporation of Nappanee, Nappanee, Indiana (organized in March 1959); Owners Discount Corporation of Goshen, Goshen, Indiana (organized in July 1959); and O.D.C. Corporation of Elkhart, Elkhart, Indiana (organized in November 1967). Goods financed directly by Registrant and its subsidiaries are primarily autos and other consumer-type purchases. Registrant and its subsidiary finance companies also provide funds to auto dealers. As of December 31, 1975, Registrant and the finance company subsidiaries had total loan receivables of $5.8 million. Numerous other finance companies and lenders providing similar services compete with Registrant and its subsidiaries in their respective markets. Since Registrant has been engaged, directly and indirectly through its subsidiaries, in sales finance activities continuously since June 30, 1968, these activities appear to be eligible for grandfather privileges.

Registrant, through its wholly-owned subsidiary, Michiana Life Insurance Company, Elkhart, Indiana, engages in underwriting as reinsurer credit life insurance related to extensions of credit by Registrant and its credit granting subsidiaries. Insurance premium income in 1975 was $153,000. Michiana Life Insurance Company was organized by Registrant in 1956, and has been continuously engaged in its insurance activities since that time. Accordingly, such activities appear to be eligible for grandfather privileges.

In January 1969 Registrant acquired, as a result of a binding written contract entered into before June 30, 1968, Cast Products Corporation, a distributor of plumbing supplies for the mobile home industry. Cast Products Corporation, with sales of $2.4 million in 1975, accounts for approximately 0.2 per cent of the total industry volume of $1.5 billion. Since Registrant has engaged in the activity of distributing plumbing supplies for mobile homes continuously since January 1969 as a result of an acquisition made by it pursuant to a binding written contract entered into prior to June 30, 1968, of a company engaging in that activity on the date of acquisition, such activity appears to be eligible for grandfather privileges.

On the basis of the foregoing and all the facts before the Board, it appears that the volume, scope, and nature of the grandfathered activities of Registrant and its subsidiaries do not demonstrate an undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

There appears to be no reason to require Registrant to cease engaging in the activities it engages in directly nor to require Registrant to terminate its interest in its grandfathered subsidiaries. It is the Board's judgment that, at this time, termination of the grandfather privileges of Registrant is not necessary in order to prevent an undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. However, this determination is not authority to enter into any activity that was not engaged in on June 30, 1968 and continuously thereafter, or any activity that is not the subject of this determination.

A significant alteration in the nature or extent of Registrant's grandfathered activities or a change in location thereof (significantly different from that described in this determination) will be cause for a re-evaluation by the Board of Registrant's activities under the provisions of § 4(a)(2) of the Act, that is, whenever the alteration or change is such that the Board finds that a termination of the grandfather privileges is necessary to prevent an undue concentration of resources of any of the other adverse effects designated in the Act. No merger, consolidation, acquisition of assets other than in the ordinary course of business, or acquisition of any interest in a going concern, to which the Registrant or its nonbank subsidiaries is a party, may be consummated without prior approval of the Board. Further, the provision of any credit, property, or service by the Registrant or any subsidiary thereof shall not be subject to any condition which, if imposed by a bank, would constitute an unlawful tie-in arrangement under section 106 of the Bank Holding Company Act Amendments of 1970.

The determination herein does not preclude a

[1]The South Bend banking market consists of the South Bend SMSA.

later review by the Board of Registrant's nonbank activities and a future determination by the Board in favor of termination of grandfather benefits of Registrant. The determination herein is subject to the Board's authority to require modification or termination of the activities of Registrant or any of its nonbanking subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasions thereof.

By determination of the Board of Governors, effective September 9, 1977.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Voting for this action: Vice Chairman Gardner and Governors Wallich, Coldwell and Jackson. Absent and not voting: Chairman Burns and Governors Partee and Lilly.

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

BY THE BOARD OF GOVERNORS

During September, 1977, the Board of Governors approved the applications listed below. The orders have been published in the Federal Register, and copies are available upon request to Publications Services, Division of Administration Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	*Bank(s)*	*Board action (effective date)*	*Federal Register citation*
Barnett Banks of Florida, Inc., Jacksonville, Florida	Amelia Island Bank, Fernandina Beach, Florida	9/28/77	42 F.R. 53997 10/4/77
The Hinsdale Capital Corporation, Chicago, Illinois	The First National Bank of Hinsdale, Hinsdale, Illinois	9/23/77	42 F.R. 52486 9/30/77
Holt County Investment, St. Joseph, Missouri	Zook and Roecker State Bank, Oregon, Missouri	9/27/77	42 F.R. 54000 10/4/77
Landmark Bancshares Corporation, St. Louis, Missouri	Fidelity Bank and Trust Co., Creve Coeur, Missouri	9/29/77	42 F.R. 54466 10/6/77

Section 4

Applicant	*Nonbanking company (or activity)*	*Board action (effective date)*	*Federal Register citation*
CleveTrust Corporation, Cleveland, Ohio	Lake Life Insurance Company, Wilmington, Delaware	9/26/77	42 F.R. 53998 10/4/77
First Security National Corporation, Beaumont, Texas	F.S.N. Life Insurance Company, Beaumont, Texas	9/1/77	42 F.R. 95373 9/9/77

Sections 3 and 4

Applicant	*Bank(s)*	*Nonbanking company (or activity)*	*Reserve Bank*	*Effective date*	*Federal Register citation*
Platte Valley Bancorporation, Saratoga, Wyoming	Saratoga Bankshares, Inc., Saratoga, Wyoming	Credit-related insurance agency activities	Kansas City	9/20/77	42 F.R. 49843 9/28/77

PENDING CASES INVOLVING THE BOARD OF GOVERNORS*

Plaza Bank of West Port v. *Board of Governors*, filed September 1977, U.S.C.A. for the Eighth Circuit.

First State Bank of Abilene, Texas v. *Board of Governors*, filed August 1977, U.S.C.A. for the District of Columbia.

BankAmerica Corporation v. *Board of Governors*, filed May 1977, U.S.D.C. for the Northern District of California.

BankAmerica Corporation v. *Board of Governors*, filed May 1977, U.S.C.A. for the Ninth Circuit.

First Security Corporation v. *Board of Governors*, filed March 1977, U.S.C.A. for the Tenth Circuit.

*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.

Farmers State Bank of Crosby v. *Board of Governors*, filed January 1977, U.S.C.A. for the Eighth Circuit.

National Automobile Dealers Association, Inc. v. *Board of Governors*, filed November 1976, U.S.C.A. for the District of Columbia.

First Security Corporation v. *Board of Governors*, filed August 1976, U.S.C.A. for the Tenth Circuit.

Central Wisconsin Bankshares, Inc. v. *Board of Governors*, filed June 1976, U.S.C.A. for the Seventh Circuit.

National Urban League, et al. v. *Office of the Comptroller of the Currency, et al.*, filed April 1976, U.S.D.C. for the District of Columbia Circuit.

Farmers & Merchants Bank of Las Cruces, New Mexico v. *Board of Governors*, filed April 1976, U.S.C.A. for the District of Columbia Circuit.

Grandview Bank & Trust Company v. *Board of Governors*, filed March 1976, U.S.C.A. for the Eighth Circuit.

Association of Bank Travel Bureaus, Inc. v. *Board of Governors*, filed February 1976, U.S.C.A. for the Seventh Circuit.

Memphis Trust Company v. *Board of Governors*, filed February 1976, U.S.D.C. for the Western District of Tennessee.

First Lincolnwood Corporation v. *Board of Governors*, filed February 1976, U.S.C.A. for the Seventh Circuit.

Roberts Farms, Inc. v. *Comptroller of the Currency, et al.*, filed November 1975, U.S.D.C. for the Southern District of California.

Florida Association of Insurance Agents, Inc. v. *Board of Governors*, and *National Association of Insurance Agents, Inc.* v. *Board of Governors*, filed August 1975, actions consolidated in U.S.C.A. for the Fifth Circuit.

†‡*David R. Merrill, et al.* v. *Federal Open Market Committee of the Federal Reserve System*, filed May 1975, U.S.D.C for the District of Columbia, appeal pending, U.S.D.A. for the District of Columbia.

Louis J. Roussel v. *Board of Governors*, filed April 1975, U.S.D.C. for the Eastern District of Louisiana.

Georgia Association of Insurance Agents, et al. v. *Board of Governors*, filed October 1974, U.S.C.A. for the Fifth Circuit.

Alabama Association of Insurance Agents, et al. v. *Board of Governors*, filed July 1974, U.S.C.A. for the Fifth Circuit.

Bankers Trust New York Corporation v. *Board of Governors*, filed May 1973, U.S.C.A. for the Second Circuit.

†Decisions have been handed down in these cases, subject to appeals noted.

‡The Board of Governors is not named as a party in this action.

Announcements

REGULATIONS H AND Y: AMENDMENTS

The Board of Governors of the Federal Reserve System has adopted, without substantial change, proposed revisions of two of its regulations relative to the operations of certain clearing agencies for stock market transactions.

The changes, which became effective October 3, 1977, were made in conformity with requirements of the Securities Acts Amendments of 1975. They were proposed by the Board in June 1976.

The Board's actions affect State member banks, or their subsidiaries, that are registered clearing agencies, and State member banks, bank holding companies, and nonbank subsidiaries of bank holding companies that are participants in bank clearing agencies.

The Board amended Regulation H (Membership of State Banking Institutions in the Federal Reserve System) to require that State member banks or their subsidiaries that are registered clearing agencies must file notice with the Board of all final disciplinary sanctions imposed by them on any firm participating in the operations of the clearing agency. State member banks acting as clearing agencies are also required to file notice with the Board of any denials of applications to participate in their clearing operations.

The Board amended Regulation Y (Bank Holding Companies) and Regulation H to establish procedures for requesting stays and review by the Board of disciplinary sanctions and denials of participation imposed by bank clearing agencies when the Board is the appropriate regulatory agency.

REGULATION Y: ACTION

The Board of Governors on October 13, 1977, acted to encourage bank holding companies that are required to carry out divestitures by the end of 1980 to submit plans for doing so not later than June 30, 1978.

The action is designed to avoid situations in which bank holding companies may have to sell off properties at a disadvantage to meet a legal deadline set by the Bank Holding Company Amendments of 1970.

The 1970 amendments provided, among other things, that companies that became bank holding companies by virtue of these amendments (that is, one-bank holding companies) and that had nonbank activities acquired between June 30, 1968, and December 30, 1970, had until December 31, 1980, to (1) divest such nonbank activities or (2) obtain Board approval for keeping them. Alternatively, such a company could cease to be a bank holding company by divesting its bank holdings by the end of 1980.

Since the December 31, 1980, deadline cannot be extended, the Board designated June 30, 1978, as a voluntary target date for bank holding companies affected by the deadline to submit applications or divestiture plans for Federal Reserve approval. The Board added that it intends to establish a later, mandatory date for submitting such plans or applications to assure that the actions required by December 31, 1980, can be carried out in timely and orderly fashion.

The divestiture deadline does not apply to nonbanking activities permanently grandfathered under the 1970 amendments. These are subsidiaries that were held by the bank holding company on June 30, 1968, and have been held continuously since.

The Board's present action follows up a general policy statement on divestitures issued February 15 of this year. This urged early action on the divestitures required by December 31, 1980, but set no dates.

PROPOSED AMENDMENTS

The Board of Governors announced on September 29, 1977, a proposal to modify existing provisions of Regulation Z (Truth in Lending) relating to billing for cash-advance check transactions. Comments must be received by November 1, 1977.

The Board on October 3, 1977, proposed for public comment two alternative amendments to Regulation B (Equal Credit Opportunity) affecting the definition of adverse action that requires notification to the customer that an application for credit had been refused. The Board requested comment by November 15, 1977.

REVISION OF BANK DEBITS AND DEPOSIT TURNOVER SERIES

Data for bank debits and demand deposit turnover, published in the Board's G.6 statistical release, have been revised. The new series, which begins with July 1977 and is based on reports from a national sample of about 300 member banks, replaces the series for 233 standard metropolitan statistical areas (SMSA's), which was terminated with the June 1977 data. The new series provides monthly estimates of debits, deposits, and deposit turnover at all commercial banks for demand deposits, total savings deposits, business savings deposits, and savings deposits of all other customers. For purposes of the new series, demand deposits include deposits of individuals, partnerships, and corporations and of States and political subdivisions in the United States. All debits and turnover estimates are expressed as annual rates.

Back data for the period January 1970 through June 1977 have been estimated for the demand deposit series based on data from the former 233 SMSA series and from member bank deposit reports. Seasonal factors based on these back data will be applied to current estimates for the demand deposit series. The back data are available on request from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C., 20551. Figures for debits, deposits, and turnover of savings deposits will be available only on an unadjusted basis until sufficient data are available for computation of seasonal adjustments.

SYSTEM MEMBERSHIP: Admission of State Banks

The following banks were admitted to membership in the Federal Reserve System during the period September 16, 1977, through October 15, 1977:

Utah
Salina ....Utah Independent Bank
Virginia
Ruckersville ....Bank of Greene

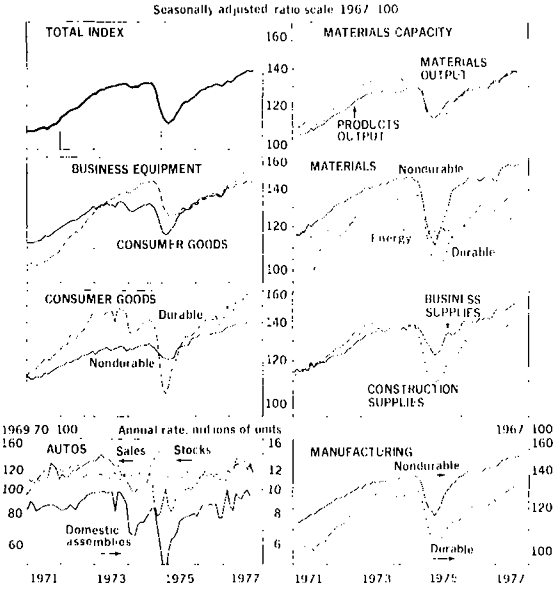
Industrial Production

Released for publication October 14

Industrial production in September increased by an estimated 0.4 per cent to 138.8 per cent of the 1967 average, offsetting the revised 0.4 per cent decline during August. About one-third of the September rise is attributable to the resumption of production after the end of strikes. Increases were widespread during the month—as declines had been in August. Industrial production in the third quarter of 1977 was 1.2 per cent above that in the second quarter—about half the increase from the first to the second quarter. Compared with a year earlier, industrial production in September was up 6.3 per cent.

Output of consumer goods in September increased 0.3 per cent, following a decline in August. Auto assemblies were about unchanged at a relatively high annual rate of 9.5 million units, seasonally adjusted. Production of business equipment increased 0.3 per cent in September to a level 10.4 per cent above a year earlier; output of construction products rose 0.5 per cent from August.

Production of durable goods materials increased 0.5 per cent last month, with a post-strike increase in copper production more than offsetting a decline in steel output. Output of nondurable goods materials advanced modestly; the production of energy materials surged 1.1 per cent, largely reflecting a post-strike increase in coal mining and an increase in Alaskan crude oil production.



F.R. indexes, seasonally adjusted. Latest figures: September.
* Auto sales and stocks include imports.

Industrial production	Seasonally adjusted, 1967 = 100				Per cent changes from—		
	1977						
	June	July	Aug[p]	Sept.[e]	Month ago	Year ago	Q2 to Q3
Total	**137.8**	**138.8**	**138.2**	**138.8**	**.4**	**6.3**	**1.2**
Products, total	137.3	138.6	138.1	138.5	.3	7.0	1.4
Final products	135.4	136.5	136.1	136.4	.2	7.5	1.2
Consumer goods	143.8	145.0	144.2	144.6	.3	6.6	.9
Durable goods	155.8	157.7	154.7	155.1	.3	11.8	1.7
Nondurable goods	139.1	140.1	139.9	140.2	.2	4.2	.6
Business equipment	150.1	151.1	150.9	151.3	.3	10.4	1.6
Intermediate products	144.7	146.2	145.9	146.3	.3	5.5	1.8
Construction supplies	139.9	141.1	140.9	141.6	.5	5.6	1.9
Materials	138.7	139.0	138.5	139.3	.6	5.2	.9

[p] Preliminary. [e] Estimated.

Financial and Business Statistics

CONTENTS

1.10 MONETARY AGGREGATES AND INTEREST RATES

	Item	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.
		Monetary and credit aggregates (annual rates of change, seasonally adjusted in per cent)[12]								
	Member bank reserves									
1	Total	2.7	4.4	2.7	3.0	13.0	1.5	4.8	16.9	9.8
2	Required	2.4	4.0	3.0	3.5	13.9	0.9	6.9	12.5	12.5
3	Nonborrowed	2.6	4.8	2.6	1.9	14.1	3.1	2.9	14.9	15.4
	Concepts of money [1]									
4	*M*-1	4.4	6.5	4.2	8.4	19.4	0.7	4.5	18.3	5.5
5	*M*-2	9.1	12.5	9.9	9.2	13.5	4.7	8.1	16.6	6.4
6	*M*-3	11.4	14.4	11.3	10.0	12.4	7.3	9.8	r16.0	11.4
	Time and savings deposits									
	Commercial banks:									
7	Total	7.0	12.2	12.5	8.3	6.9	8.3	13.2	11.0	6.9
8	Other than large CD's	12.8	17.1	14.0	9.8	9.5	7.6	10.7	15.4	7.1
9	Thrift institutions [2]	14.8	17.3	13.4	11.1	10.5	11.2	12.0	15.3	18.7
10	Total loans and investments at commercial banks [3]	6.9	10.8	8.8	11.9	14.0	10.3	8.9	9.3	12.3

	Item	1976 Q4	1977 Q1	1977 Q2	1977 Q3	1977 May	1977 June	1977 July	1977 Aug.	1977 Sept.
		Interest rates (levels, per cent per annum)								
	Short-term rates									
11	Federal funds [4]	4.88	4.66	5.16	5.82	5.35	5.39	5.42	5.90	6.14
12	Treasury bills (3-month market yield) [5]	4.67	3.63	4.84	5.50	4.96	5.02	5.19	5.49	5.81
13	Commercial paper (90- to 119-day) [6]	4.91	4.74	5.15	5.74	5.26	5.42	5.38	5.75	6.09
14	Federal Reserve discount [7]	5.39	5.25	5.25	5.42	5.25	5.25	5.25	5.27	5.75
	Long-term rates									
	Bonds:									
15	U.S. Govt.[8]	7.54	7.62	7.68	7.60	7.74	7.64	7.60	7.64	7.57
16	State and local government [9]	6.18	5.88	5.70	5.59	5.75	5.62	5.63	5.62	5.51
17	Aaa utility (new issue) [10]	8.15	8.17	8.21	8.09	8.33	8.08	8.14	r8.04	8.07
18	Conventional mortgages [11]	8.95	8.82	8.95	....	8.95	9.00	9.00	9.00	....

1 *M*-1 equals currency plus private demand deposits adjusted.
M-2 equals *M*-1 plus bank time and savings deposits other than large negotiable CD's.
M-3 equals *M*-2 plus deposits at mutual savings banks, savings and loan associations, and credit union shares.
2 Savings and loan associations, mutual savings banks, and credit unions.
3 Quarterly changes calculated from figures shown in Table 1.23.
4 Seven-day averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).
5 Quoted on a bank-discount rate basis.
6 Most representative offering rate quoted by five dealers.
7 Rate for the Federal Reserve Bank of New York.
8 Market yields adjusted to a 20-year maturity by the U.S. Treasury.
9 *Bond Buyer* series for 20 issues of mixed quality.
10 Weighted averages of new publicly offered bonds rated Aaa, Aa, and A by Moody's Investors Service and adjusted to an Aaa basis. Federal Reserve compilations.
11 Average rates on new commitments for conventional first mortgages on new homes in primary markets, unweighted and rounded to nearest 5 basis points, from Dept. of Housing and Urban Development.
12 Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter.

1.11 FACTORS AFFECTING MEMBER BANK RESERVES

Millions of dollars

	Factors	Monthly averages of daily figures			Weekly averages of daily figures for weeks ending—						
		1977			1977						
		July	Aug.	Sept.p	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21p	Sept. 28p
	SUPPLYING RESERVE FUNDS										
1	**Reserve Bank credit outstanding**	**113,886**	**110,886**	**112,251**	**110,161**	**111,224**	**110,752**	**108,300**	**109,084**	**111,992**	**117,290**
2	*U.S. Govt. securities*[1]	*98,359*	*95,977*	*97,618*	*95,201*	*96,162*	*96,626*	*94,226*	*94,747*	*96,723*	*102,860*
3	Bought outright	96,930	95,835	96,427	95,201	96,162	96,472	94,226	94,059	96,723	99,354
4	Held under repurchase agreement	1,429	142	1,191	....	....	154	....	688	....	3,506
5	*Federal agency securities*	*7,611*	*7,412*	*7,419*	*7,411*	*7,411*	*7,394*	*7,354*	*7,366*	*7,329*	*7,554*
6	Bought outright	7,423	7,403	7,338	7,411	7,411	7,372	7,354	7,343	7,329	7,329
7	Held under repurchase agreement	188	9	81	....	....	22	....	23	....	225
8	Acceptances	213	34	109	8	6	23	4	74	4	262
9	Loans	336	1,071	635	901	1,665	1,393	636	337	738	719
10	Float	4,005	3,543	3,713	3,745	3,594	2,847	3,588	3,943	4,297	3,085
11	Other Federal Reserve assets	3,362	2,850	2,757	2,896	2,386	2,469	2,494	2,618	2,901	2,810
12	Gold stock	11,609	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595
13	Special Drawing Rights certificate account	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
14	Treasury currency outstanding	11,141	11,189	11,228	11,191	11,196	11,200	11,211	11,225	11,229	11,242
	ABSORBING RESERVE FUNDS										
15	Currency in circulation	97,422	97,780	98,180	98,080	97,719	97,484	98,220	98,704	98,154	97,714
16	Treasury cash holdings	431	433	436	428	434	428	440	440	433	431
	Deposits, other than member bank reserves with F.R. Banks:										
17	Treasury	8,843	6,025	6,956	4,967	6,271	5,853	3,687	3,842	6,188	12,089
18	Foreign	324	310	368	284	325	367	390	464	283	346
19	Other[2]	759	607	668	607	599	604	643	661	733	603
20	Other F.R. liabilities and capital	3,395	3,341	3,434	3,271	3,369	3,541	3,172	3,311	3,545	3,622
21	Member bank reserves with F.R. Banks	26,663	26,373	26,232	26,510	26,498	26,470	25,755	25,683	26,681	26,523
		End-of-month figures			**Wednesday figures**						
		1977			1977						
		July	Aug.	Sept.p	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21p	Sept. 28p
	SUPPLYING RESERVE FUNDS										
22	**Reserve Bank credit outstanding**	**113,916**	**113,641**	**119,011**	**110,776**	**110,434**	**113,641**	**105,902**	**111,945**	**113,630**	**120,319**
23	*U.S. Govt. securities*[1]	*98,711*	*98,436*	*104,715*	*95,859*	*94,831*	*98,436*	*91,486*	*96,114*	*96,878*	*104,275*
24	Bought outright	96,381	97,357	102,405	95,859	94,831	97,357	91,486	95,300	96,878	99,595
25	Held under repurchase agreement	2,330	1,079	2,310	....	....	1,079	....	814	....	4,680
26	*Federal agency securities*	*7,768*	*7,505*	*7,639*	*7,411*	*7,411*	*7,505*	*7,354*	*7,370*	*7,329*	*7,680*
27	Bought outright	7,423	7,354	7,329	7,411	7,411	7,354	7,354	7,329	7,329	7,329
28	Held under repurchase agreement	345	151	310	....	....	151	....	41	....	351
29	Acceptances	393	131	482	7	6	131	4	150	4	436
30	Loans	788	1,265	1,069	1,010	2,323	1,265	570	358	2,706	1,292
31	Float	2,543	3,842	2,233	4,171	3,475	3,842	3,945	5,270	4,017	3,634
32	Other Federal Reserve assets	3,713	2,462	2,873	2,318	2,388	2,462	2,543	2,683	2,696	3,002
33	Gold stock	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595
34	Special Drawing Rights certificate account	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
35	Treasury currency outstanding	11,119	11,161	11,246	11,194	11,198	11,161	11,213	11,227	11,231	11,246
	ABSORBING RESERVE FUNDS										
36	Currency in circulation	97,048	97,943	97,866	98,178	97,776	97,943	98,921	98,754	98,091	98,101
37	Treasury cash holdings	426	440	433	430	428	440	442	433	434	429
	Deposits, other than member bank reserves with F.R. Banks:										
38	Treasury	8,789	6,115	15,740	6,516	6,562	6,115	4,841	3,989	9,803	11,197
39	Foreign	469	535	382	281	351	535	475	324	249	300
40	Other[2]	578	679	853	543	532	679	721	616	757	769
41	Other F.R. liabilities and capital	3,606	3,623	3,659	3,290	3,435	3,623	3,108	3,332	3,395	3,696
42	Member bank reserves with F.R. Banks	26,912	28,262	24,119	25,527	25,343	28,262	21,403	28,519	24,927	29,868

[1] *Includes* securities loaned—fully guaranteed by U.S. Govt. securities pledged with F.R. Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.

[2] Includes certain deposits of foreign-owned banking institutions voluntarily held with member banks and redeposited in full with Federal Reserve Banks.

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

1.12 RESERVES AND BORROWINGS Member Banks

Millions of dollars

	Reserve classification	Monthly averages of daily figures									
		1976	1977								
		Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.p
	All member banks										
	Reserves:										
1	At F.R. Banks	26,430	27,229	25,725	25,849	26,096	25,970	25,646	26,663	26,373	26,232
2	Currency and coin	8,548	8,913	8,326	8,134	8,368	8,610	8,609	8,622	8,712	8,887
3	*Total held*[1]	*35,136*	*36,290*	*34,199*	*34,135*	*34,613*	*34,732*	*34,406*	*35,391*	*35,186*	*35,241*
4	Required	34,964	35,796	34,234	33,870	34,602	34,460	34,293	35,043	34,987	34,964
5	Excess[1]	172	494	−35	265	11	272	113	348	199	277
	Borrowings at F.R. Banks:[2]										
6	Total	62	61	79	110	73	200	262	336	1,071	635
7	Seasonal	12	8	12	13	14	31	55	60	101	113
	Large banks in New York City										
8	*Reserves held*	*6,520*	*7,076*	*6,442*	*6,331*	*6,264*	*6,310*	*6,241*	*6,359*	*6,272*	*5,920*
9	Required	6,602	6,948	6,537	6,259	6,351	6,279	6,188	6,342	6,247	6,022
10	Excess	−82	128	−95	72	−87	31	53	17	25	−102
11	Borrowings[2]	15	6	47	44	16	18	36	74	157	75
	Large banks in Chicago										
12	*Reserves held*	*1,632*	*1,731*	*1,624*	*1,610*	*1,629*	*1,637*	*1,662*	*1,573*	*1,653*	*1,603*
13	Required	1,641	1,698	1,624	1,611	1,634	1,634	1,627	1,606	1,622	1,634
14	Excess	−9	33	....	−1	−5	3	35	−33	31	31
15	Borrowings[2]	4	2	....	3	*	4	15	6	5	11
	Other large banks										
16	*Reserves held*	*13,117*	*13,556*	*12,683*	*12,779*	*13,090*	*13,067*	*12,869*	*13,438*	*13,290*	*13,118*
17	Required	13,053	13,427	12,765	12,705	13,110	12,996	12,943	13,286	13,270	13,352
18	Excess	64	129	−82	74	−20	71	−74	152	20	−234
19	Borrowings[2]	14	25	4	29	23	62	80	79	530	177
	All other banks										
20	*Reserves held*	*13,867*	*13,927*	*13,450*	*13,415*	*13,630*	*13,718*	*13,634*	*14,021*	*13,971*	*14,069*
21	Required	13,668	13,723	13,308	13,295	13,507	13,551	13,535	13,809	13,848	13,956
22	Excess	199	204	142	120	123	167	99	212	123	113
23	Borrowings[2]	29	28	28	34	34	116	131	177	379	372

		Weekly averages of daily figures for weeks ending—									
		1977									
		July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept.p 21	Sept.p 28
	All member banks										
	Reserves:										
24	At F.R. Banks	26,265	26,887	25,796	26,510	26,498	26,470	25,755	25,683	26,681	26,523
25	Currency and coin	8,829	8,932	8,993	8,789	8,201	8,773	8,941	9,281	8,189	9,109
26	*Total held*[1]	*35,195*	*35,919*	*34,890*	*35,401*	*34,800*	*35,345*	*34,797*	*35,060*	*34,959*	*35,820*
27	Required	35,121	35,495	34,787	35,199	34,772	34,974	34,566	34,739	34,928	35,381
28	Excess[1]	74	424	103	202	28	371	231	321	31	439
	Borrowings at F.R. Banks:[2]										
29	Total	295	598	585	901	1,665	1,393	636	337	738	719
30	Seasonal	68	69	72	99	116	130	114	108	110	116
	Large banks in New York City										
31	*Reserves held*	*6,296*	*6,408*	*6,386*	*6,306*	*6,178*	*6,128*	*5,995*	*6,202*	*5,676*	*5,939*
32	Required	6,205	6,439	6,270	6,428	6,110	6,100	6,037	6,046	5,905	6,028
33	Excess	91	−31	116	−122	68	28	−42	156	−229	89
34	Borrowings[2]	....	119	....	225	443	26	49	....	218	....
	Large banks in Chicago										
35	*Reserves held*	*1,571*	*1,631*	*1,611*	*1,659*	*1,572*	*1,681*	*1,612*	*1,695*	*1,618*	*1,468*
36	Required	1,582	1,618	1,623	1,645	1,586	1,634	1,611	1,667	1,660	1,597
37	Excess	−11	13	−12	14	−14	47	1	28	−42	−129
38	Borrowings[2]	....	21	....	....	....	....	....	....	29	15
	Other large banks										
39	*Reserves held*	*13,170*	*13,719*	*13,037*	*13,441*	*13,052*	*13,480*	*13,199*	*13,243*	*13,018*	*13,165*
40	Required	13,302	13,488	13,151	13,326	13,167	13,341	13,121	13,277	13,392	13,527
41	Excess	−132	231	−114	115	−115	139	78	−34	−374	−362
42	Borrowings[2]	81	165	410	350	798	729	137	54	171	294
	All other banks										
43	*Reserves held*	*14,158*	*14,161*	*13,856*	*13,995*	*13,998*	*14,056*	*13,991*	*13,920*	*14,045*	*14,290*
44	Required	14,032	13,950	13,743	13,800	13,909	13,899	13,797	13,749	13,971	14,229
45	Excess	126	211	113	195	89	157	194	171	74	61
46	Borrowings[2]	214	293	175	326	424	638	450	283	320	410

1 Adjusted to include waivers of penalties for reserve deficiencies in accordance with Board policy, effective Nov. 19, 1975, of permitting transitional relief on a graduated basis over a 24-month period when a nonmember bank merges into an existing member bank, or when a nonmember bank joins the Federal Reserve System. For weeks for which figures are preliminary, figures by class of bank do not add to total because adjusted data by class are not available.

2 Based on closing figures.

1.13 FEDERAL FUNDS TRANSACTIONS of Money Market Banks

Millions of dollars, except as noted

	Type	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28
		1977, week ending Wednesday—								
		Total, 46 banks								
	Basic reserve position									
1	Excess reserves[1]	157	121	24	−38	156	13	210	−17	52
	LESS:									
2	Borrowings at F.R. Banks	156	248	416	925	225	58	5	264	76
3	Net interbank Federal funds transactions	16,468	18,096	17,454	16,166	15,102	18,968	21,174	19,406	14,978
	EQUALS: Net surplus, or deficit (−):									
4	Amount	−16,467	−18,223	−17,847	−17,129	−15,171	−19,014	−20,968	−19,687	−15,002
5	*Per cent of average required reserves*	*107.7*	*122.3*	*117.4*	*116.5*	*102.2*	*129.7*	*141.1*	*133.3*	*100.6*
	Interbank Federal funds transactions									
	Gross transactions:									
6	Purchases	24,439	24,885	24,449	22,528	22,411	26,178	28,075	26,430	23,969
7	Sales	7,971	6,788	6,994	6,361	7,309	7,210	6,902	7,024	8,991
8	Two-way transactions[2]	5,187	4,738	5,536	4,857	4,788	4,901	4,984	4,866	5,156
	Net transactions:									
9	Purchases of net buying banks	19,252	20,147	18,912	17,671	17,624	21,277	23,091	21,564	18,813
10	Sales of net selling banks	2,784	2,050	1,458	1,505	2,522	2,309	1,917	2,159	3,835
	Related transactions with U.S. Govt. securities dealers									
11	Loans to dealers[3]	2,533	4,177	4,465	3,777	3,497	4,230	4,138	3,374	2,594
12	Borrowing from dealers[4]	2,019	2,122	2,231	1,921	1,629	1,950	1,865	1,636	2,969
13	Net loans	514	2,056	2,234	1,856	1,868	2,281	2,273	1,739	−375
		8 banks in New York City								
	Basic reserve position									
14	Excess reserves[1]	24	122	−57	25	62	69	100	−24	36
	LESS:									
15	Borrowings at F.R. Banks	107	....	225	430	26	29	....	199	....
16	Net interbank Federal funds transactions	6,591	6,579	5,252	4,564	4,927	7,187	8,090	7,218	6,832
	EQUALS: Net surplus, or deficit (−):									
17	Amount	−6,675	−6,458	−5,534	−4,969	−4,892	−7,285	−7,990	−7,441	−6,797
18	*Per cent of average required reserves*	*114.4*	*113.5*	*95.1*	*90.0*	*88.8*	*133.0*	*145.7*	*139.0*	*124.4*
	Interbank Federal funds transactions									
	Gross transactions:									
19	Purchases	7,525	7,446	6,498	5,582	5,835	8,065	8,744	7,808	7,902
20	Sales	934	866	1,246	1,018	908	878	654	590	1,070
21	Two-way transactions[2]	934	866	1,246	1,018	908	878	654	590	1,070
	Net transactions:									
22	Purchases of net buying banks	6,591	6,580	5,252	4,564	4,927	7,187	8,090	7,218	6,832
23	Sales of net selling banks	....	....	....	....	....	....	....	....	....
	Related transactions with U.S. Govt. securities dealers									
24	Loans to dealers[3]	1,282	2,464	2,408	1,990	1,690	2,218	2,439	2,107	1,425
25	Borrowing from dealers[4]	916	950	1,093	975	791	859	899	1,083	1,086
26	Net loans	366	1,515	1,315	1,015	899	1,359	1,540	1,024	338
		38 banks outside New York City								
	Basic reserve position									
27	Excess reserves[1]	133	....	81	−63	95	82	110	4	65
	LESS:									
28	Borrowings at F.R. Banks	49	248	191	495	199	29	5	66	76
29	Net interbank Federal funds transactions	9,877	11,517	12,202	11,603	10,175	11,781	13,084	12,188	8,146
	EQUALS: Net surplus, or deficit (−):									
30	Amount	−9,792	−11,765	−12,313	−12,161	−10,279	−11,729	−12,979	−12,249	−8,157
31	*Per cent of average required reserves*	*103.6*	*127.8*	*131.2*	*132.5*	*110.1*	*127.8*	*138.4*	*130.1*	*86.3*
	Interbank Federal funds transactions									
	Gross transactions:									
32	Purchases	16,913	17,439	17,951	16,946	16,576	18,113	19,331	18,622	16,067
33	Sales	7,037	5,922	5,749	5,343	6,401	6,332	6,248	6,434	7,921
34	Two-way transactions[2]	4,253	3,872	4,291	3,839	3,880	4,032	4,330	4,276	4,086
	Net transactions:									
35	Purchases of net buying banks	12,661	13,567	13,660	13,107	12,696	14,090	15,001	14,346	11,981
36	Sales of net selling banks	2,784	2,050	1,458	1,505	2,522	2,309	1,917	2,159	3,835
	Related transactions with U.S. Govt. securities dealers									
37	Loans to dealers[3]	1,251	1,713	2,057	1,787	1,806	2,013	1,699	1,267	1,169
38	Borrowing from dealers[4]	1,103	1,172	1,138	947	837	1,091	966	553	1,883
39	Net loans	147	541	919	841	969	922	734	714	−714

For notes see end of table.

1.13 *Continued*

	Type	1977, week ending Wednesday— Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aub. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28
		5 banks in City of Chicago								
	Basic reserve position									
40	Excess reserves[1]	16	13	19	6	48	17	39	4	-3
	LESS:									
41	Borrowings at F.R. Banks	21							18	
42	Net interbank Federal funds transactions	5,578	5,833	6,403	5,854	5,614	6,636	7,035	6,761	4,684
	EQUALS: Net surplus, or deficit (−):									
43	Amount	−5,584	5,846	−6,384	−5,848	5,566	−6,619	−6,997	−6,775	4,687
44	*Per cent of average required reserves*	*369.9*	*385.8*	*415.2*	*395.3*	*364.7*	*440.6*	*448.6*	*436.2*	*314.7*
	Interbank Federal funds transactions									
	Gross transactions:									
45	Purchases	6,786	6,923	7,599	6,873	6,763	7,584	7,875	7,720	5,934
46	Sales	1,208	1,090	1,196	1,019	1,149	948	840	959	1,250
47	Two-way transactions[2]	1,208	1,090	1,196	1,019	1,149	947	838	955	1,208
	Net transactions:									
48	Purchases of net buying banks	5,578	5,833	6,403	5,854	5,613	6,636	7,037	6,765	4,727
49	Sales of net selling banks							2	4	43
	Related transactions with U.S. Govt. securities dealers									
50	Loans to dealers[3]	188	265	343	292	281	421	330	239	190
51	Borrowing from dealers[4]	363	322	172	145	125	144	312	108	846
52	Net loans	−175	−57	172	147	156	277	18	131	657
		33 other banks								
	Basic reserve position									
53	Excess reserves[1]	117	13	62	−69	47	65	71	3	19
	LESS:									
54	Borrowings at F.R. Banks	27	248	191	495	199	29	5	48	76
55	Net interbank Federal funds transactions	4,299	5,684	5,799	5,749	4,561	5,145	6,048	5,427	3,462
	EQUALS: Net surplus, or deficit (−):									
56	Amount	−4,208	−5,919	−5,928	−6,313	−4,713	−5,110	5,982	−5,472	−3,519
57	*Per cent of average required reserves*	*53.0*	*76.9*	*75.5*	*82.0*	*60.3*	*66.6*	*76.5*	*69.6*	*44.2*
	Interbank Federal funds transactions									
	Gross transactions:									
58	Purchases	10,127	10,517	10,352	10,073	9,813	10,530	11,456	10,902	10,133
59	Sales	5,829	4,832	4,553	4,325	5,252	5,385	5,408	5,475	6,671
60	Two-way transactions[2]	3,045	2,782	3,095	2,820	2,730	3,076	3,492	3,321	2,879
	Net transactions:									
61	Purchases of net buying banks	7,083	7,734	7,257	7,253	7,083	7,454	7,964	7,581	7,254
62	Sales of net selling banks	2,784	2,050	1,458	1,505	2,522	2,309	1,915	2,155	3,792
	Related transactions with U.S. Govt. securities dealers									
63	Loans to dealers[3]	1,063	1,448	1,714	1,496	1,525	1,592	1,369	1,028	980
64	Borrowing from dealers[4]	740	850	967	802	713	947	654	445	1,037
65	Net loans	322	598	747	694	813	645	715	583	−57

1 Based on reserve balances, including adjustments to include waivers of penalties for reserve deficiencies in accordance with changes in ~~Board~~ policy, effective Nov. 19, 1975.
2 Derived from averages for individual banks for entire week. Figure for each bank indicates extent to which the bank's average purchases and sales are offsetting.
3 Federal funds loaned, net funds supplied to each dealer by clearing banks, repurchase agreements (purchases from dealers subject to resale), or other lending arrangements.
4 Federal funds borrowed, net funds acquired from each dealer by clearing banks, reverse repurchase agreements (sales of securities to dealers subject to repurchase), resale agreements, and borrowings secured by U.S. Govt. or other securities.

NOTE.—Weekly averages of daily figures. For description of series, see ~~Federal Reserve~~ BULLETIN for August 1964, pp. 944–53. Back data for 46 banks appear in the Board's *Annual Statistical Digest, 1971–1975*, Table 3.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Per cent per annum

Current and previous levels

Federal Reserve Bank	Loans to member banks— Under Secs. 13 and 13a[1]			Loans to member banks— Under Sec. 10(b)[2] Regular rate			Loans to member banks— Under Sec. 10(b)[2] Special rate[3]			Loans to all others under Sec. 13, last par.[4]		
	Rate on 9/30/77	Effective date	Previous rate	Rate on 9/30/77	Effective date	Previous rate	Rate on 9/30/77	Effective date	Previous rate	Rate on 9/30/77	Effective date	Previous rate
Boston	5¾	9/2/77	5¼	6¼	9/2/77	5¾	6¾	9/2/77	6¼	8¾	9/2/77	8¼
New York	5¾	8/31/77	5¼	6¼	8/31/77	5¾	6¾	8/31/77	6¼	8¾	8/31/77	8¼
Philadelphia	5¾	8/30/77	5¼	6¼	8/30/77	5¾	6¾	8/30/77	6¼	8¾	8/30/77	8¼
Cleveland	5¾	8/30/77	5¼	6¼	8/30/77	5¾	6¾	8/30/77	6¼	8¾	8/30/77	8¼
Richmond	5¾	8/30/77	5¼	6¼	8/30/77	5¾	6¾	8/30/77	6¼	8¾	8/30/77	8¼
Atlanta	5¾	8/30/77	5¼	6¼	8/30/77	5¾	6¾	8/30/77	6¼	8¾	8/30/77	8¼
Chicago	5¾	8/30/77	5¼	6¼	8/30/77	5¾	6¾	8/30/77	6¼	8¾	8/30/77	8¼
St. Louis	5¾	8/30/77	5¼	6¼	8/30/77	5¾	6¾	8/30/77	6¼	8¾	8/30/77	8¼
Minneapolis	5¾	8/30/77	5¼	6¼	8/30/77	5¾	6¾	8/30/77	6¼	8¾	8/30/77	8¼
Kansas City	5¾	9/2/77	5¼	6¼	9/2/77	5¾	6¾	9/2/77	6¼	8¾	9/2/77	8¼
Dallas	5¾	9/2/77	5¼	6¼	9/2/77	5¾	6¾	9/2/77	6¼	8¾	9/2/77	8¼
San Francisco	5¾	9/2/77	5¼	6¼	9/2/77	5¾	6¾	9/2/77	6¼	8¾	9/2/77	8¼

Range of rates in recent years[5]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1970	5½	5½
1971—Jan. 8	5¼–5½	5¼
15	5¼	5¼
19	5 –5¼	5¼
22	5 –5¼	5
29	5	5
Feb. 13	4¾–5	5
19	4¾	4¾
July 16	4¾–5	5
23	5	5
Nov. 11	4¾–5	5
19	4¾	4¾
Dec. 13	4½–4¾	4¾
17	4½–4¾	4½
24	4½	4½

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1973—Jan. 15	5	5
Feb. 26	5–5½	5½
Mar. 2	5½	5½
Apr. 23	5½–5¾	5½
May 4	5¾	5¾
11	5¾–6	6
18	6	6
June 11	6–6½	6½
15	6½	6½
July 2	7	7
Aug. 14	7–7½	7½
23	7½	7½
1974—Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1975—Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976—Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977—Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
In effect Sept. 30, 1977	5¾	5¾

1 Discounts of eligible paper and advances secured by such paper or by U.S. Govt. obligations or any other obligations eligible for F.R. Bank purchase.

2 Advances secured to the satisfaction of the F.R. Bank. Advances secured by mortgages on 1- to 4-family residential property are made at the Section 13 rate.

3 Applicable to special advances described in Section 201.2(e)(2) of Regulation A.

4 Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of, or obligations fully guaranteed as to principal and interest by, the U.S. Govt. or any agency thereof.

5 Rates under Secs. 13 and 13a (as described above). For description and earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, *Banking and Monetary Statistics, 1941–1970*, and *Annual Statistical Digest, 1971–75*.

1.15 MEMBER BANK RESERVE REQUIREMENTS[1]

Per cent of deposits

Type of deposit, and deposit interval in millions of dollars	Requirements in effect Sept. 30, 1977		Previous requirements	
	Per cent	Effective date	Per cent	Effective date
Net demand:[2]				
0–2	7	12/30/76	7½	2/13/75
2–10	9½	12/30/76	10	2/13/75
10–100	11¾	12/30/76	12	2/13/75
100–400	12¾	12/30/76	13	2/13/75
Over 400	16¼	12/30/76	16½	2/13/75
Time:[2,3]				
Savings	3	3/16/67	3½	3/2/67
Other time:				
0–5, maturing in—				
30–179 days	3	3/16/67	3½	3/2/67
180 days to 4 years	[4] 2½	1/8/76	3	3/16/67
4 years or more	[4] 1	10/30/75	3	3/16/67
Over 5, maturing in—				
30–179 days	6	12/12/74	5	10/1/70
180 days to 4 years	[4] 2½	1/8/76	3	12/12/74
4 years or more	[4] 1	10/30/75	3	12/12/74

	Legal limits, Sept. 30, 1977	
	Minimum	Maximum
Net demand:		
Reserve city banks	10	22
Other banks	7	14
Time	3	10

[1] For changes in reserve requirements beginning 1963, see Board's *Annual Statistical Digest, 1971–1975* and for prior changes, see Board's *Annual Report* for 1976, Table 13.

[2] (a) Requirement schedules are graduated, and each deposit interval applies to that part of the deposits of each bank. Demand deposits subject to reserve requirements are gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

(b) The Federal Reserve Act specifies different ranges of requirements for reserve city banks and for other banks. Reserve cities are designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million is considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constitutes designation of that place as a reserve city. Cities in which there are F.R. Banks or branches are also reserve cities. Any banks having net demand deposits of $400 million or less are considered to have the character of business of banks outside of reserve cities and are permitted to maintain reserves at ratios set for banks not in reserve cities. For details, see the Board's Regulation D.

(c) Member banks are required under the Board's Regulation M to maintain reserves against foreign branch deposits computed on the basis of net balances due from domestic offices to their foreign branches and against foreign branch loans to U.S. residents. Loans aggregating $100,000 or less to any U.S. resident are excluded from computations, as are total loans of a bank to U.S. residents if not exceeding $1 million. Regulation D imposes a similar reserve requirement on borrowings from foreign banks by domestic offices of a member bank. A reserve of 4 per cent is required for each of these classifications.

[3] Negotiable orders of withdrawal (NOW) accounts and time deposits such as Christmas and vacation club accounts are subject to the same requirements as savings deposits.

[4] The average of reserves on savings and other time deposits must be at least 3 per cent, the minimum specified by law.

NOTE.—Required reserves must be held in the form of deposits with F.R. Banks or vault cash.

1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions

Per cent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks			
	In effect Sept. 30, 1977		Previous maximum		In effect Sept. 30, 1977		Previous maximum	
	Per cent	Effective date	Per cent	Effective date	Per cent	Effective date	Per cent	Effective date
1 Savings	5	7/1/73	4½	1/21/70	5¼	(6)	5	(7)
2 Negotiable order of withdrawal (NOW) accounts[1]	5	1/1/74	....	....	5	1/1/74	....	....
Time (multiple- and single-maturity unless otherwise indicated):[2]								
30–89 days:								
3 Multiple-maturity	5	7/1/73	4½	1/21/70	(8)	....	(8)	....
4 Single-maturity			5	9/26/66				
90 days to 1 year:								
5 Multiple-maturity	5½	7/1/73	5	7/20/66	[3] 5¾	(6)	5¼	1/21/70
6 Single-maturity				9/26/66				
7 1 to 2 years[3]	6	7/1/73	5½	1/21/70	6½	(6)	5¾	1/21/70
8 2 to 2½ years[3]			5¾	1/21/70			6	1/21/70
9 2½ to 4 years[3]	6½	7/1/73	5¾	1/21/70	6¾	(6)	6	1/21/70
10 4 to 6 years[4]	7¼	11/1/73	(9)	....	7½	11/1/73	(9)	....
11 6 years or more[4]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
12 Governmental units (all maturities)	7¾	12/23/74	7½	11/27/74	7¾	12/23/74	7½	11/27/74
13 Individual retirement accounts and Keogh (H.R. 10) plans[5]	7¾	7/6/77	(8)	....	7¾	7/6/77	(8)	....

1 For authorized States only. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks were first permitted to offer NOW accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976.

2 For exceptions with respect to certain foreign time deposits see the Federal Reserve BULLETIN for October 1962 (p. 1279), August 1965 (p. 1094), and February 1968 (p. 167).

3 A minimum of $1,000 is required for savings and loan associations, except in areas where mutual savings banks permit lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.

4 $1,000 minimum except for deposits representing funds contributed to an Individual Retirement Account (IRA) or a Keogh (H.R. 10) Plan established pursuant to the Internal Revenue Code. The $1,000 minimum requirement was removed for such accounts in December 1975 and November 1976, respectively.

5 3-year minimum maturity.

6 July 1, 1973, for mutual savings banks; July 6, 1973, for savings and loan associations.

7 Oct. 1, 1966, for mutual savings banks; Jan. 21, 1970, for savings and loan associations.

8 No separate account category.

9 Between July 1, 1973, and Oct. 31, 1973, there was no ceiling for certificates maturing in 4 years or more with minimum denominations of $1,000; however, the amount of such certificates that an institution could issue was limited to 5 per cent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than $1,000, were limited to the 6½ per cent ceiling on time deposits maturing in 2½ years or more.

Effective Nov. 1, 1973, the present ceilings were imposed on certificates maturing in 4 years or more with minimum denominations of $1,000. There is no limitation on the amount of these certificates that banks can issue.

NOTE—Maximum rates that can be paid by Federally insured commercial banks, mutual savings banks, and savings and loan associations are established by the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board under the provisions of 12 CFR 217, 329, and 526, respectively. The maximum rates on time deposits in denominations of $100,000 or more were suspended in mid-1973. For information regarding previous interest rate ceilings on all types of accounts, see earlier issues of the Federal Reserve BULLETIN, the Federal Home Loan Bank Board *Journal*, and the *Annual Report* of the Federal Deposit Insurance Corporation.

1.161 MARGIN REQUIREMENTS

Per cent of market value; effective dates shown.

Type of security on sale	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
1 Margin stocks	70	80	65	55	65	50
2 Convertible bonds	50	60	50	50	50	50
3 Short sales	70	80	65	55	65	50

NOTE.—Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 per cent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

Regulation G and special margin requirements for bonds convertible into stocks were adopted by the Board of Governors effective Mar. 11, 1968.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

	Type of transaction	1974	1975	1976	1977 Feb.	Mar.	Apr.	May	June	July	Aug.
	U.S. GOVT. SECURITIES										
	Outright transactions (excl. matched sale-purchase transactions)										
	Treasury bills:										
1	Gross purchases	11,660	11,562	14,343	110	....	1,671	681	2,696	118	812
2	Gross sales	5,830	5,599	8,462	801	368	260	489	1,154	753	176
3	Redemptions	4,550	[2] 6,431	[2] 5,017	....	....	19	400	600	500	....
	Others within 1 year:[1]										
4	Gross purchases	450	3,886	472	107	41	20	....	89	....	....
5	Gross sales	....	....	....	....	....	....	....	....	....	....
6	Exchange, or maturity shift	-1,183	-4	792	63	-266	374	-1,209	478	238	2,321
7	Redemptions	131	3,549	....	....	....	....	....	....	....	....
	1 to 5 years:										
8	Gross purchases	797	[2] 3,284	[2] 3,202	348	174	327	....	200	....	....
9	Gross sales	....	....	177	....	....	....	....	....	....	....
10	Exchange, or maturity shift	-697	3,854	-2,588	-880	266	-374	-865	478	-238	-1,664
	5 to 10 years:										
11	Gross purchases	434	1,510	1,048	151	46	104	....	68	....	....
12	Gross sales	....	....	....	....	....	....	....	....	....	....
13	Exchange, or maturity shift	1,675	-4,697	1,572	517	....	....	1,174	....	....	782
	Over 10 years:										
14	Gross purchases	196	1,070	642	81	37	38	....	114	....	....
15	Gross sales	....	....	....	....	....	....	....	....	....	....
16	Exchange, or maturity shift	205	848	225	300	....	....	900	....	....	125
	All maturities:[1]										
17	Gross purchases	13,537	[2] 21,313	[2] 19,707	797	298	2,160	681	3,167	118	812
18	Gross sales	5,830	5,599	8,639	801	368	260	489	1,154	753	176
19	Redemptions	4,682	[2] 9,980	[2] 5,017	....	....	19	400	600	500	....
	Matched sale-purchase transactions										
20	Gross sales	64,229	151,205	196,078	22,674	30,115	32,287	28,532	36,258	27,947	45,831
21	Gross purchases	62,801	152,132	196,579	23,447	30,828	32,852	27,306	36,449	27,301	46,170
	Repurchase agreements										
22	Gross purchases	71,333	140,311	232,891	13,853	14,368	13,397	29,308	14,748	13,973	4,397
23	Gross sales	70,947	139,538	230,355	12,921	14,860	11,862	30,448	11,506	15,719	5,648
24	Net change in U.S. Govt. securities	1,984	7,434	9,087	1,702	151	3,980	-2,573	4,845	-3,528	-276
	FEDERAL AGENCY OBLIGATIONS										
	Outright transactions:										
25	Gross purchases	3,087	1,616	891	....	....	346	....	380	....	....
26	Gross sales	....	....	....	....	....	....	....	....	....	....
27	Redemptions	322	246	169	24	36	....	*	33	....	69
	Repurchase agreements:										
28	Gross purchases	23,204	15,179	10,520	689	523	709	2,164	1,656	1,672	265
29	Gross sales	22,735	15,566	10,360	612	546	639	2,278	1,056	1,938	459
	BANKERS ACCEPTANCES										
30	Outright transactions, net	511	163	-545	-18	-19	-51	-45	-15	-24	-15
31	Repurchase agreements, net	420	-35	410	149	-23	653	-729	528	-204	247
32	**Net change in total System Account**	**6,149**	**8,539**	**9,833**	**1,886**	**50**	**4,998**	**-3,461**	**6,305**	**-4,020**	**801**

1 Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): 1974, 131; 1975, 3,549; and 1976 to present, none.

2 In 1975, the System obtained $421 million of 2-year Treasury notes in exchange for maturing bills. In 1976 there was a similar transaction amounting to $189 million. Acquisition of these notes is treated as a purchase; the run-off of bills, as a redemption.

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

1.18 FEDERAL RESERVE BANKS Condition and F.R. Note Statements

Millions of dollars

	Account	Wednesday					End of Month		
		1977					1977		
		Aug. 31	Sept. 7	Sept. 14	Sept. 21p	Sept. 28p	July	Aug.	Sept.p
		Consolidated condition statement							
	ASSETS								
1	Gold certificate account	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595
2	Special Drawing Rights certificate account	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
3	Coin[1]	284	274	281	291	294	317	284	308
	Loans:								
4	Member bank borrowings	1,265	570	358	2,706	1,292	788	1,265	1,069
5	Other	....	....	....	....	....	....	....	....
	Acceptances:								
6	Bought outright	4	4	4	4	4	19	4	4
7	Held under repurchase agreements	127	....	146	....	432	374	127	478
	Federal agency obligations:								
8	Bought outright	7,354	7,354	7,329	7,329	7,329	7,423	7,354	7,329
9	Held under repurchase agreements	151	....	41	....	351	345	151	310
	U.S. Govt. securities								
	Bought outright:								
10	Bills	40,021	34,150	37,964	39,041	41,758	39,045	40,021	41,548
11	Certificates—Special	....	....	....	....	....	....	....	2,500
12	Other	....	....	....	....	....	....	....	....
13	Notes	48,963	48,963	48,963	49,423	49,423	49,088	48,963	49,856
14	Bonds	8,373	8,373	8,373	8,414	8,414	8,248	8,373	8,501
15	Total[2]	97,357	91,486	95,300	96,878	99,595	96,381	97,357	102,405
16	Held under repurchase agreements	1,079	....	814	....	4,680	2,330	1,079	2,310
17	**Total U.S. Govt. securities**	**98,436**	**91,486**	**96,114**	**96,878**	**104,275**	**98,711**	**98,436**	**104,715**
18	**Total loans and securities**	**107,337**	**99,414**	**103,992**	**106,917**	**113,683**	**107,660**	**107,337**	**113,905**
19	Cash items in process of collection	9,715	10,966	11,741	10,668	9,578	7,590	9,715	7,773
20	Bank premises	377	376	376	378	378	372	377	379
	Other assets:								
21	Denominated in foreign currencies	55	55	55	64	64	20	55	65
22	All other	2,030	2,112	2,252	2,254	2,560	3,321	2,030	2,429
23	**Total assets**	**132,593**	**125,992**	**131,492**	**133,367**	**139,352**	**132,075**	**132,593**	**137,654**
	LIABILITIES								
24	F.R. notes	87,506	88,423	88,241	87,585	87,578	86,674	87,506	87,361
	Deposits:								
25	Member bank reserves	28,262	21,403	28,519	24,927	29,868	26,912	28,262	24,119
26	U.S. Treasury—General account	6,115	4,841	3,989	9,803	11,197	8,789	6,115	15,740
27	Foreign	535	475	324	249	300	469	535	382
28	Other[3]	679	721	616	757	769	578	679	853
29	**Total deposits**	**35,591**	**27,440**	**33,448**	**35,736**	**42,134**	**36,748**	**35,591**	**41,094**
30	Deferred availability cash items	5,873	7,021	6,471	6,651	5,944	5,047	5,873	5,540
31	Other liabilities and accrued dividends	1,089	974	1,085	1,031	1,202	1,083	1,089	1,165
32	**Total liabilities**	**130,059**	**123,858**	**129,245**	**131,003**	**136,858**	**129,552**	**130,059**	**135,160**
	CAPITAL ACCOUNTS								
33	Capital paid in	1,011	1,013	1,013	1,012	1,013	1,006	1,011	1,016
34	Surplus	983	983	983	983	983	983	983	983
35	Other capital accounts	540	138	251	369	498	534	540	495
36	**Total liabilities and capital accounts**	**132,593**	**125,992**	**131,492**	**133,367**	**139,352**	**132,075**	**132,593**	**137,654**
37	MEMO: Marketable U.S. Govt. securities held in custody for foreign and intl. account	60,717	62,176	62,287	62,911	62,807	60,359	60,717	63,781
		Federal Reserve note statement							
38	F.R. notes outstanding (issued to Bank)	93,289	93,571	93,753	93,828	93,780	92,648	93,289	93,762
	Collateral held against notes outstanding:								
39	Gold certificate account	11,591	11,591	11,590	11,591	11,591	11,591	11,591	11,591
40	Special Drawing Rights certificate account	752	855	855	855	855	752	752	855
41	Acceptances	....	....	....	....	....	....	....	....
42	U.S. Govt. securities	82,135	82,185	82,536	82,785	82,885	81,585	82,135	82,885
43	**Total collateral**	**94,478**	**94,631**	**94,981**	**95,231**	**95,331**	**93,928**	**94,478**	**95,331**

1 Effective Jan. 1, 1977, Federal Reserve notes of other Federal Reserve Banks were merged into the liability account for Federal Reserve notes.

2 *Includes* securities loaned—fully guaranteed by U.S. Govt. securities pledged with F.R. Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.

3 Includes certain deposits of domestic nonmember banks and foreign-owned banking institutions voluntarily held with member banks and redeposited in full with F.R. Banks.

NOTE.—Beginning Jan. 1, 1977, "Operating equipment" was transferred to "Other assets."

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity	Wednesday 1977					End of month 1977		
	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28	July 31	Aug. 31	Sept. 30
1 **Loans**	**1,267**	**571**	**359**	**2,696**	**1,292**	**788**	**1,267**	**1,069**
2 Within 15 days	1,224	501	294	2,669	1,265	768	1,224	1,032
3 16 days to 90 days	43	70	65	27	27	20	43	37
4 91 days to 1 year	....	....	....	....	....	....	....	....
5 **Acceptances**	**131**	**4**	**150**	**4**	**436**	**393**	**131**	**482**
6 Within 15 days	127	....	146	....	432	384	127	478
7 16 days to 90 days	4	4	4	4	4	8	4	4
8 91 days to 1 year	....	....	....	....	....	1	....	....
9 **U.S. Govt. securities**	**98,436**	**91,486**	**96,114**	**96,878**	**104,275**	**98,711**	**98,436**	**104,715**
10 Within 15 days[1]	3,989	3,807	4,552	3,069	8,597	4,849	3,989	6,709
11 16 days to 90 days	18,881	12,416	17,211	18,046	19,027	17,589	18,881	20,858
12 91 days to 1 year	30,774	30,471	29,559	30,527	31,415	28,922	30,774	31,772
13 Over 1 year to 5 years	27,750	27,750	27,750	28,097	28,097	29,652	27,750	28,110
14 Over 5 years to 10 years	10,451	10,451	10,451	10,507	10,507	11,233	10,451	10,547
15 Over 10 years	6,591	6,591	6,591	6,632	6,632	6,466	6,591	6,719
16 **Federal agency obligations**	**7,505**	**7,354**	**7,370**	**7,329**	**7,680**	**7,768**	**7,505**	**7,639**
17 Within 15 days[1]	305	125	41	25	376	375	305	335
18 16 days to 90 days	209	272	371	346	346	410	209	355
19 91 days to 1 year	915	881	893	893	893	1,000	915	884
20 Over 1 year to 5 years	3,711	3,711	3,679	3,679	3,679	3,648	3,711	3,679
21 Over 5 years to 10 years	1,542	1,542	1,563	1,563	1,563	1,512	1,542	1,563
22 Over 10 years	823	823	823	823	823	823	823	823

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

1.20 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars. Monthly data are at annual rates

Bank group, or type of customer	1974	1975	1976	1977				
				Apr.	May	June	July	Aug.
	Debits to demand deposits[2] (seasonally adjusted)							
1 All commercial banks	22,937.8	25,028.5	29,180.4	33,343.9	34,687.0	34,805.2	34,098.5	35,644.8
2 Major New York City banks	8,434.8	9,670.7	11,467.2	13,276.9	13,979.7	14,049.7	13,501.0	14,351.0
3 Other banks	14,503.0	15,357.8	17,713.2	20,067.0	20,707.3	20,755.5	20,597.5	21,293.8
	Debits to savings deposits[3] (not seasonally adjusted)							
4 All customers	....	....	....	....	....	....	359.1	366.2
5 Business[1]	....	....	....	....	....	....	43.6	55.0
6 Others	....	....	....	....	....	....	315.6	311.2
	Demand deposit turnover[2] (seasonally adjusted)							
7 All commercial banks	99.0	105.3	116.8	128.2	133.7	133.6	127.5	133.8
8 Major New York City banks	321.6	356.9	411.6	479.3	504.7	524.2	479.7	519.3
9 Other banks	70.6	72.9	79.8	86.4	89.4	88.8	86.1	89.2
	Savings deposit turnover[3] (not seasonally adjusted)							
10 All customers	....	....	....	....	....	....	1.7	1.7
11 Business[1]	....	....	....	....	....	....	4.3	5.2
12 Others	....	....	....	....	....	....	1.5	1.5

1 Represents corporations and other profit-seeking organizations (excluding commercial banks but including savings and loan associations, mutual savings banks, credit unions, the Export–Import Bank, and Federally sponsored lending agencies).

2 Represents accounts of individuals, partnerships, and corporations, and of States and political subdivisions.

3 Excludes NOW accounts and special club accounts, such as Christmas and vacation clubs.

NOTE.—Historical data- estimated for the period 1970 through June 1977, partly on the basis of the debits series for 233 SMSA's, which were available through June 1977 are available from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Debits and turnover data for savings deposits are not available prior to July 1977.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1973 Dec.	1974 Dec.	1975 Dec.	1976 Dec.	1977 Mar.	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.
	Seasonally adjusted									
MEASURES[1]										
1 *M*-1	270.5	283.1	294.8	312.4	315.4	320.5	320.7	321.9	326.8	328.3
2 *M*-2	571.4	612.4	664.3	740.3	756.1	764.6	767.6	772.8	783.5	787.7
3 *M*-3	919.6	981.5	1,092.6	1,237.1	1,268.1	1,281.2	1,289.0	1,299.5	r1,316.8	1,329.2
4 *M*-4	634.4	701.4	746.5	803.5	818.2	826.2	829.9	836.8	846.3	850.9
5 *M*-5	982.5	1,070.5	1,174.7	1,300.3	1,330.3	1,342.8	1,351.3	1,363.4	r1,379.6	1,392.4
COMPONENTS										
6 Currency	61.5	67.8	73.7	80.5	82.2	83.1	83.6	84.0	85.1	85.5
Commercial bank deposits:										
7 Demand	209.0	215.3	221.0	231.9	233.2	237.4	237.1	238.0	241.6	242.8
8 *Time and savings*	*363.9*	*418.3*	*451.7*	*491.1*	*502.8*	*505.7*	*509.2*	*514.8*	*519.5*	*522.5*
9 Negotiable CD's[2]	63.0	89.0	82.1	63.3	62.2	61.6	62.3	63.9	62.8	63.2
10 Other	300.9	329.3	369.6	427.9	440.6	444.1	446.9	450.9	456.7	459.4
11 Nonbank thrift institutions[3]	348.1	369.1	428.3	496.8	512.1	516.6	521.4	526.6	r533.3	541.5
	Not seasonally adjusted									
MEASURES[1]										
12 *M*-1	278.3	291.3	303.2	321.3	312.4	322.3	315.5	321.4	327.2	325.1
13 *M*-2	576.5	617.5	669.3	745.3	756.2	770.0	766.2	774.5	784.0	784.3
14 *M*-3	921.8	983.8	1,094.3	1,237.9	1,269.8	1,290.2	1,290.3	1,305.6	1,322.0	1,326.4
15 *M*-4	640.5	708.0	752.8	809.5	817.0	830.1	827.4	837.5	846.8	848.8
16 *M*-5	985.8	1,074.3	1,177.7	1,302.1	1,330.7	1,350.3	1,351.4	1,368.6	r1,384.7	1,390.8
COMPONENTS										
17 Currency	62.7	69.0	75.1	82.0	81.6	82.8	83.4	84.2	85.7	85.8
Commercial bank deposits:										
18 *Demand*	*215.7*	*222.2*	*228.1*	*239.3*	*230.9*	*239.6*	*232.1*	*237.1*	*241.4*	*239.3*
19 Member	156.5	159.7	162.1	168.5	162.1	167.6	161.8	165.1	167.7	166.2
20 Domestic nonmember	56.3	58.5	62.6	67.3	65.2	68.3	66.6	68.3	69.5	69.1
21 *Time and savings*	*362.2*	*416.7*	*449.6*	*488.2*	*504.6*	*507.7*	*511.8*	*516.1*	*519.6*	*523.7*
22 Negotiable CD's[2]	64.0	90.5	83.5	64.3	60.8	60.1	61.2	63.0	62.8	64.4
23 Other	298.2	326.3	366.2	423.9	443.8	447.7	450.7	453.2	456.9	459.2
24 Nonbank thrift institutions[3]	345.3	366.3	424.9	492.6	513.6	520.2	524.1	531.1	538.0	542.1
25 U.S. Govt. deposits (all commercial banks)	6.3	4.9	4.1	4.7	4.5	5.6	3.8	5.2	3.9	3.7

1 Composition of the money stock measures is as follows:

M-1: Averages of daily figures for (1) demand deposits at commercial banks other than domestic interbank and U.S. Govt., less cash items in process of collection and F.R. float; (2) foreign demand balances at F.R. Banks; and (3) currency outside the Treasury, F.R. Banks, and vaults of commercial banks.

M-2: *M*-1 plus savings deposits, time deposits open account, and time certificates of deposit (CD's) other than negotiable CD's of $100,000 or more of large weekly reporting banks.

M-3: *M*-2 plus the average of the beginning- and end-of-month deposits of mutual savings banks, savings and loan shares, and credit union shares (nonbank thrift).

M-4: *M*-2 plus large negotiable CD's.

M-5: *M*-3 plus large negotiable CD's.

For a description of the latest revisions in the money stock measures see "Money Stock Measures: Revision" on pp. 305 and 306 of ~~the~~ March 1977 BULLETIN.

Latest monthly and weekly figures are available from the Board's H.6 release. Back data are available from the Banking Section, Division of Research and Statistics.

2 Negotiable time CD's issued in denominations of $100,000 or more by large weekly reporting commercial banks.

3 Average of the beginning- and end-of-month figures for deposits of mutual savings banks, for savings capital at savings and loan associations, and for credit union shares.

NOTES TO TABLE 1.23:

1 Adjusted to exclude domestic commercial interbank loans.

2 Loans sold are those sold outright to banks' own foreign branches, nonconsolidated nonbank affiliates of the bank, the banks' holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company. Prior to Aug. 28, 1974, the institutions included had been defined somewhat differently, and the reporting panel of banks was also different. On the new basis, both "Total loans" and "Commercial and industrial loans" were reduced by about $100 million.

3 Reclassification of loans reduced these loans by about $1.2 billion as of Mar. 31, 1976.

4 Data beginning June 30, 1974, include one large mutual savings bank that merged with a nonmember commercial bank. As of that date there were increases of about $500 million in loans, $100 million in "Other" securities, and $600 million in "Total loans and investments."

As of Oct. 31, 1974, "Total loans and investments" of all commercial banks were reduced by $1.5 billion in connection with the liquidation of one large bank. Reductions in other items were: "Total loans," $1.0 billion (of which $0.6 billion was in "Commercial and industrial loans"), and "Other securities," $0.5 billion. In late November "Commercial and industrial loans" were increased by $0.1 billion as a result of loan reclassifications at another large bank.

NOTE.—Data are for last Wednesday of month except for June 30 and Dec. 31; data are partly or wholly estimated except when June 30 and Dec. 31 are call dates.

1.22 AGGREGATE RESERVES AND DEPOSITS Member Banks

Billions of dollars, averages of daily figures

	Item	1973 Dec.	1974 Dec.	1975 Dec.	1976 Dec.	1977 Feb.	1977 Mar.	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.
							Seasonally adjusted					
1	**Reserves** [1]	34.94	36.60	34.73	34.95	34.40	34.31	34.68	34.72	34.86	35.35	35.64
2	Nonborrowed	33.64	35.87	34.60	34.90	34.33	34,20	34.61	34.52	34.60	35.03	34.58
3	Required	34.64	36.34	34.47	34.68	34.20	34,09	34.49	34.51	34.71	35.08	35.44
4	**Deposits subject to reserve requirements** [2]	**442.3**	**486.2**	**505.4**	**529.6**	**532.0**	**535.2**	**538.4**	**537.6**	**544.5**	**547.7**	**551.4**
5	Time and savings	279.2	322.1	337.9	355.0	360.1	361.3	361.4	363.1	367.0	369.2	370.8
	Demand:											
6	Private	158.1	160.6	164.5	171.4	169.5	171.1	173.4	172.3	173.8	175.8	177.0
7	U.S. Govt.	5.0	3.5	3.0	3.2	2.5	2.8	3.6	2.1	3.7	2.8	3.6
							Not seasonally adjusted					
8	**Deposits subject to reserve requirements** [2]	**447.5**	**491.8**	**510.9**	**534.8**	**528.7**	**534.0**	**541.3**	**535.8**	**544.5**	**547.6**	**548.3**
9	Time and savings	278.5	321.7	337.2	353.6	358.4	361.7	362.3	364.7	367.8	369.5	371.7
	Demand:											
10	Private	164.0	166.6	170.7	177.9	167.2	169.1	175.0	168.5	173.0	175.6	174.1
11	U.S. Govt.	5.0	3.4	3.1	3.3	3.1	3.2	4.0	2.5	3.7	2.6	2.5

1 Series reflects actual reserve requirement percentages with no adjustment to eliminate the effect of changes in Regulations D and M. There are breaks in series because of changes in reserve requirements effective Dec. 12, 1974; Feb. 13, May 22, and Oct. 30, 1975; Jan. 8, and Dec. 30, 1976. In addition, effective Jan. 1, 1976, statewide branching in New York was instituted. The subsequent merger of a number of banks raised required reserves because of higher reserve requirements on aggregate deposits at these banks.

2 Includes total time and savings deposits and net demand deposits as defined by Regulation D. Private demand deposits include all demand deposits except those due to the U.S. Govt., less cash items in process of collection and demand balances due from domestic commercial banks.

NOTE.—Back data and estimates of the impact on required reserves and changes in reserve requirements are shown in Table 14 of the Board's *Annual Statistical Digest, 1971–1975.*

1.23 LOANS AND INVESTMENTS All Commercial Banks

Billions of dollars; last Wednesday of month except for June 30 and Dec. 31

	Category	1973 Dec. 31	1974 [4] Dec. 31	1975 Dec. 31	1976 Dec. 31	1977 Apr. 27 p	1977 May 25 p	1977 June 30 p	1977 July 27 p	1977 Aug. 31 p	1977 Sept. 28 p
					Seasonally adjusted						
1	**Loans and investments** [1]	**633.4**	**690.4**	**721.1**	**784.4**	**812.4**	**819.4**	**825.5**	**831.8**	**840.4**	**843.1**
2	Including loans sold outright [2]	637.7	695.2	725.5	788.2	816.4	823.4	829.5	835.9	844.5	847.1
	Loans:										
3	Total	449.0	500.2	496.9	538.9	557.7	562.1	567.0	574.5	582.4	587.6
4	Including loans sold outright [2]	453.3	505.0	501.3	542.7	561.7	566.1	571.0	578.6	586.5	591.6
5	Commercial and industrial [3]	156.4	183.3	176.0	179.5	184.9	185.9	188.3	189.6	191.6	191.9
6	Including loans sold outright [2,3]	159.0	186.0	178.5	181.9	187.7	188.7	191.1	192.4	194.4	194.7
	Investments:										
7	U.S. Treasury	54.5	50.4	79.4	97.3	102.8	104.6	105.3	102.9	102.6	99.5
8	Other	129.9	139.8	144.8	148.2	151.9	152.7	153.2	154.4	155.4	156.0
					Not seasonally adjusted						
9	**Loans and investments** [1]	**647.3**	**705.6**	**737.0**	**801.6**	**809.6**	**816.6**	**830.5**	**829.1**	**837.6**	843.1
10	Including loans sold outright	651.6	710.4	741.4	805.4	813.6	820.6	834.5	833.2	841.7	847.2
	Loans:										
11	Total [1]	458.5	510.7	507.4	550.2	553.5	561.3	574.4	575.4	583.6	589.3
12	Including loans sold outright [2]	462.8	515.5	511.8	554.0	557.5	565.3	578.4	579.5	587.7	593.4
13	Commercial and industrial [3]	159.4	186.8	179.3	182.9	185.1	186.1	190.7	189.6	190.6	192.3
14	Including loans sold outright [2,3]	162.0	189.5	181.8	185.3	187.9	188.9	193.5	192.4	193.4	195.1
	Investments:										
15	U.S. Treasury	58.3	54.5	84.1	102.5	103.0	101.9	101.7	99.5	98.9	98.0
16	Other	130.6	140.5	145.5	148.9	153.1	153.4	154.4	154.2	155.1	155.8

For notes see bottom of opposite page.

1.24 COMMERCIAL BANK ASSETS AND LIABILITIES Last-Wednesday-of-Month Series

Billions of dollars except for number of banks

	Account	1975	1976[3]	1977								
		Dec. 31	Dec.	Jan.	Feb.	Mar.	Apr.p	May p	June p	July p	Aug. p	Sept. p
		All commercial										
1	**Loans and investments**	775.8	846.4	824.2	831.6	840.4	846.5	853.1	864.5	866.2	877.8	882.4
2	Loans, gross	546.2	594.9	575.3	580.4	587.0	590.4	597.8	609.5	612.5	623.8	628.6
	Investments:											
3	U.S. Treasury securities	84.1	102.5	101.1	102.6	104.7	103.0	101.9	101.3	99.5	98.9	98.0
4	Other	145.5	148.9	147.9	148.5	148.7	153.1	153.4	153.7	154.2	155.1	155.8
5	**Cash assets**	133.6	136.1	120.1	127.1	122.8	122.7	119.4	124.5	124.7	134.0	127.5
6	Currency and coin	12.3	12.1	12.8	12.5	12.9	13.3	13.1	13.6	13.3	13.6	13.8
7	Reserves with F.R. Banks	26.8	26.1	28.6	28.6	26.9	28.2	24.0	23.5	27.1	28.2	30.0
8	Balances with banks	47.3	49.6	39.2	41.5	41.9	40.1	41.3	42.9	40.4	44.0	41.7
9	Cash items in process of collection	47.3	48.4	39.6	44.4	41.1	41.0	41.0	44.4	43.9	48.3	42.1
10	**Total assets/total liabilities and capital**[1]	964.9	1,030.7	996.7	1,011.6	1,018.2	1,024.8	1,026.9	1,044.9	1,047.4	1,068.2	1,065.5
11	**Deposits**	786.3	838.2	801.0	809.3	817.1	819.4	818.9	833.7	836.4	850.5	844.8
	Demand:											
12	Interbank	41.8	45.4	35.3	36.6	37.6	33.9	35.2	37.3	37.7	39.0	36.6
13	U.S. Govt	3.1	3.0	4.0	3.8	3.1	7.4	3.6	3.0	3.8	2.5	8.0
14	Other	278.7	288.4	260.6	264.5	263.1	267.9	262.8	272.5	272.3	282.7	269.9
	Time:											
15	Interbank	12.0	9.2	8.8	8.6	8.9	8.6	8.5	8.9	8.3	8.0	8.3
16	Other	450.6	492.2	492.3	495.9	504.4	501.6	508.8	511.9	514.4	518.4	522.0
17	Borrowings	60.2	80.2	82.5	87.6	84.5	88.2	87.6	90.2	90.6	93.1	94.8
18	**Total capital accounts**[2]	69.1	78.1	76.3	76.8	77.1	77.5	78.1	78.7	78.9	79.4	79.7
19	MEMO: Number of banks	14,633	14,671	14,667	14,688	14,685	14,690	14,695	14,702	14,709	14,713	14,713
		Member										
20	**Loans and investments**	578.6	620.5	600.9	605.9	611.8	614.8	620.2	629.1	628.9	637.9	640.8
21	Loans, gross	416.4	442.9	426.3	429.9	434.6	435.9	441.5	450.1	451.3	459.9	463.0
	Investments:											
22	U.S. Treasury securities	61.5	74.6	72.6	73.7	74.9	73.0	72.6	72.6	70.8	70.5	69.6
23	Other	100.7	103.1	102.0	102.3	102.3	105.8	106.1	106.4	106.7	107.5	108.3
24	**Cash assets, total**	108.5	108.9	97.7	102.8	100.0	99.4	95.7	100.5	101.1	108.5	103.1
25	Currency and coin	9.2	9.1	9.5	9.3	9.6	9.9	9.7	10.0	9.9	10.0	10.2
26	Reserves with F.R. Banks	26.8	26.0	28.6	28.6	26.9	28.2	24.0	23.5	27.1	28.2	30.0
27	Balances with banks	26.9	27.4	21.5	22.2	24.0	21.9	22.6	24.2	21.9	23.9	22.5
28	Cash items in process of collection	45.5	46.5	38.1	42.7	39.5	39.4	39.3	42.7	42.2	46.4	40.4
29	**Total assets/total liabilities and capital**[1]	733.6	772.9	744.6	755.1	759.7	762.7	763.9	778.9	780.1	796.2	793.2
30	**Deposits**	590.8	618.7	587.0	592.0	598.1	597.8	597.4	609.4	610.6	622.1	617.0
	Demand:											
31	Interbank	38.6	42.4	33.1	34.1	35.3	31.6	32.9	34.9	35.3	36.6	34.3
32	U.S. Govt	3.2	2.1	3.0	2.7	2.1	5.9	2.7	2.2	2.8	1.7	6.4
33	Other	210.8	215.5	193.7	196.6	195.9	199.0	195.1	202.7	202.1	211.0	200.3
	Time:											
34	Interbank	10.0	7.2	6.8	6.6	6.9	6.6	6.5	6.9	6.3	6.0	6.3
35	Other	329.1	351.5	350.3	351.9	357.9	354.7	360.3	362.7	364.1	366.9	369.6
36	Borrowings	53.6	71.7	73.6	78.0	75.3	78.1	77.5	80.0	80.4	82.5	84.0
37	**Total capital accounts**[2]	52.1	58.6	57.7	57.9	58.1	58.3	58.8	59.2	59.5	59.9	60.2
38	MEMO: Number of banks	5,788	5,759	5,739	5,740	5,739	5,726	5,708	5,721	5,701	5,676	5,676

[1] Includes items not shown separately.

Effective Mar. 31, 1976, some of the item "reserve for loan losses" and all of the item "unearned income on loans" are no longer reported as liabilities. As of that date the "valuation" portion of "reserve for loan losses" and the "unearned income on loans" have been netted against "other assets," and against "total assets" as well.

Total liabilities continue to include the deferred income tax portion of "reserve for loan losses."

[2] Effective Mar. 31, 1976, includes "reserves for securities" and the contingency portion (which is small) of "reserve for loan losses."

[3] Figures partly estimated except on call dates.

NOTE.—Figures include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries.

Commercial banks: All such banks in the United States, including member and nonmember banks, stock savings banks, nondeposit trust companies, and U.S. branches of foreign banks, but excluding one national bank in Puerto Rico and one in the Virgin Islands.

Member banks: The following numbers of noninsured trust companies that are members of the Federal Reserve System are excluded from member banks in Tables 1.24 and 1.25 and are included with noninsured banks in Table 1.25: 1974—June, 2; December, 3; 1975—June and December, 4; 1976 (beginning month shown)—July, 5, December, 7; 1977–January 8.

1.25 COMMERCIAL BANK ASSETS AND LIABILITIES Call-Date Series

Millions of dollars except for number of banks

	Account	1975		1976		1975		1976	
		June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31
		Total insured				National (all insured)			
1	**Loans and investments, Gross**	**736,164**	**762,400**	**773,696**	**827,692**	**428,167**	**441,135**	**443,955**	**476,602**
	Loans:								
2	Gross	526,272	535,170	539,017	578,712	312,229	315,738	315,624	340,679
3	Net	(2)	(2)	520,970	560,069	(2)	(2)	305,275	329,968
	Investments:								
4	U.S. Treasury securities	67,833	83,629	90,947	101,459	37,606	46,799	49,688	55,729
5	Other	142,060	143,602	143,731	147,520	78,331	78,598	78,642	80,193
6	Cash assets	125,181	128,256	124,072	129,578	75,686	78,026	75,488	76,074
7	**Total assets/total liabilities**[1]	**914,781**	**944,654**	**942,510**	**1,004,020**	**536,836**	**553,285**	**548,697**	**583,315**
8	**Deposits**	**746,348**	**775,209**	**776,957**	**825,001**	**431,646**	**447,590**	**444,251**	**469,378**
	Demand:								
9	U.S. Govt	3,106	3,108	4,622	3,020	1,723	1,788	2,858	1,674
10	Interbank	41,244	40,259	37,503	44,072	21,096	22,305	20,329	23,148
11	Other	261,903	276,384	265,670	285,190	152,576	159,840	152,382	163,347
	Time:								
12	Interbank	10,252	10,733	9,407	8,250	6,804	7,302	5,532	4,909
13	Other	429,844	444,725	459,754	484,468	249,446	256,355	263,148	276,298
14	Borrowings	59,310	56,775	63,823	75,308	41,954	40,875	45,183	54,420
15	**Total capital accounts**	**65,986**	**68,474**	**68,989**	**72,070**	**37,483**	**38,969**	**39,502**	**41,323**
16	MEMO: Number of banks	14,320	14,372	14,373	14,397	4,730	4,741	4,747	4,735
		State member (all insured)				Insured nonmember			
17	**Loans and investments, Gross**	**134,759**	**137,620**	**136,915**	**144,000**	**173,238**	**183,645**	**192,825**	**207,089**
	Loans:								
18	Gross	100,968	100,823	98,889	102,278	113,074	118,609	124,503	135,754
19	Net	(2)	(2)	96,037	99,475	(2)	(2)	119,658	130,626
	Investments:								
20	U.S. Treasury securities	12,004	14,720	16,323	18,847	18,223	22,109	24,934	26,882
21	Other	21,787	22,077	21,702	22,874	41,942	42,927	43,387	44,451
22	Cash assets	31,466	30,451	30,422	32,859	18,029	19,778	18,161	20,644
23	**Total assets/total liabilities**	**179,787**	**180,495**	**179,645**	**189,573**	**198,157**	**210,874**	**214,167**	**231,130**
24	**Deposits**	**141,995**	**143,409**	**142,061**	**149,481**	**172,707**	**184,210**	**190,644**	**206,141**
	Demand:								
25	U.S. Govt	443	467	869	429	940	853	894	917
26	Interbank	18,751	16,265	15,834	19,296	1,397	1,689	1,339	1,627
27	Other	48,621	50,984	49,658	52,194	60,706	65,560	63,629	69,648
	Time:								
28	Interbank	2,771	2,712	3,074	2,384	676	719	799	957
29	Other	71,409	72,981	72,624	75,177	108,989	115,389	123,980	132,991
30	Borrowings	14,380	12,771	15,300	17,318	2,976	3,128	3,339	3,569
31	**Total capital accounts**	**12,773**	**13,105**	**12,791**	**13,199**	**15,730**	**16,400**	**16,696**	**17,547**
32	MEMO: Number of banks	1,064	1,046	1,029	1,023	8,526	8,585	8,597	8,639
		Noninsured nonmember				Total nonmember			
33	**Loans and investments, Gross**	**11,725**	**13,674**	**15,905**	**18,819**	**184,963**	**197,319**	**208,730**	**225,908**
	Loans:								
34	Gross	9,559	11,283	13,209	16,336	122,633	129,892	137,712	152,091
35	Net	(2)	(2)	13,092	16,209	(2)	(2)	132,751	146,836
	Investments:								
36	U.S. Treasury securities	358	490	472	1,054	18,581	22,599	25,407	27,936
37	Other	1,808	1,902	2,223	1,428	43,750	44,829	45,610	45,880
38	Cash assets	3,534	5,359	4,362	6,496	21,563	25,137	22,524	27,141
39	**Total assets/total liabilities**	**16,277**	**20,544**	**21,271**	**26,790**	**214,434**	**231,418**	**235,439**	**257,921**
40	**Deposits**	**8,314**	**11,323**	**11,735**	**13,325**	**181,021**	**195,533**	**202,380**	**219,467**
	Demand:								
41	U.S. Govt	11	6	4	4	951	859	899	921
42	Interbank	1,338	1,552	1,006	1,277	2,735	3,241	2,346	2,904
43	Other	2,124	2,308	2,555	3,236	62,830	67,868	66,184	72,884
	Time:								
44	Interbank	957	1,291	1,292	1,041	1,633	2,010	2,092	1,998
45	Other	3,883	6,167	6,876	7,766	112,872	121,556	130,857	140,758
46	Borrowings	3,110	3,449	3,372	4,842	6,086	6,577	6,711	8,412
47	**Total capital accounts**	**570**	**651**	**663**	**818**	**16,300**	**17,051**	**17,359**	**18,366**
48	MEMO: Number of banks	253	261	270	275	8,779	8,846	8,867	8,914

1 Includes items not shown separately.
2 Not available.

For Note see Table 1.24.

1.26 COMMERCIAL BANK ASSETS AND LIABILITIES Detailed Balance Sheet, March 31, 1977

Asset and liability items are shown in millions of dollars.

	Asset account	Insured commercial banks	Member banks[1]					Non-member banks[1]
			Total	Large banks			All other	
				New York City	City of Chicago	Other large		
1	**Cash bank balances, items in process**	**125,193**	**106,148**	**31,527**	**3,960**	**38,001**	**32,660**	**19,049**
2	Currency and coin	12,118	8,974	923	162	2,880	5,009	3,144
3	Reserves with F.R. Banks	28,031	28,031	6,025	1,724	10,410	9,872	1
4	Demand balances with banks in United States	29,261	17,608	6,655	114	3,217	7,622	11,656
5	Other balances with banks in United States	5,184	3,033	27	21	1,085	1,900	2,152
6	Balances with banks in foreign countries	4,171	3,688	578	59	2,030	1,022	482
7	Cash items in process of collection	46,428	44,814	17,320	1,880	18,380	7,234	1,614
8	**Total securities held Book value**	**249,841**	**176,540**	**20,197**	**8,116**	**56,924**	**91,304**	**73,304**
9	U.S. Treasury	103,675	75,386	11,526	3,771	25,543	34,546	28,292
10	Other U.S. Govt. agencies	34,315	21,052	1,172	471	5,317	14,092	13,264
11	States and political subdivisions	105,615	75,865	7,210	3,598	24,841	40,216	29,751
12	All other securities	6,143	4,181	290	276	1,201	2,415	1,962
13	Unclassified total	92	57	....	....	22	35	35
14	*Trading-account securities*	*5,339*	*5,233*	*2,075*	*687*	*2,251*	*220*	*106*
15	U.S. Treasury	3,168	3,155	1,470	434	1,172	80	13
16	Other U.S. Govt. agencies	566	561	211	33	292	25	5
17	States and political subdivisions	1,104	1,073	369	95	536	73	31
18	All other trading acct. securities	409	388	25	125	230	7	21
19	Unclassified	92	57	....	....	22	35	35
20	*Bank investment portfolios*	*244,502*	*171,307*	*18,122*	*7,429*	*54,672*	*91,084*	*73,198*
21	U.S. Treasury	100,507	72,231	10,057	3,337	24,371	34,466	28,279
22	Other U.S. Govt. agencies	33,750	20,491	961	438	5,025	14,067	13,259
23	States and political subdivisions	104,512	74,792	6,841	3,503	24,305	40,143	29,720
24	All other portfolio securities	5,733	3,793	264	151	971	2,407	1,941
25	F.R. stock and corporate stock	1,544	1,302	291	83	483	445	243
26	**Federal funds sold and securities resale agreement**	**44,703**	**35,244**	**2,497**	**2,152**	**18,742**	**11,853**	**9,514**
27	Commercial banks	37,369	28,124	705	1,441	14,689	11,289	9,300
28	Brokers and dealers	4,362	4,208	399	672	2,699	438	154
29	Others	2,972	2,912	1,393	39	1,354	126	60
30	**Other loans, gross**	**536,794**	**405,594**	**70,710**	**21,530**	**149,631**	**163,722**	**131,200**
31	LESS: Unearned income on loans	12,704	8,660	546	80	2,860	5,175	4,045
32	Reserves for loan loss	6,306	5,038	1,191	316	1,826	1,706	1,267
33	Other loans, net	517,784	391,896	68,974	21,135	144,945	156,842	125,888
	Other loans, gross, by category							
34	*Real estate loans*	*153,309*	*106,810*	*9,315*	*1,966*	*38,372*	*57,156*	*46,499*
35	Construction and land development	17,215	13,442	2,590	414	6,309	4,128	3,773
36	Secured by farmland	6,979	2,981	17	10	293	2,661	3,998
37	Secured by residential	86,655	61,444	4,460	963	22,314	33,707	25,211
38	*1- to 4-family residences*	*82,250*	*58,255*	*4,028*	*859*	*21,161*	*32,206*	*23,995*
39	FHA-insured or VA-guaranteed	7,887	6,843	598	47	3,666	2,532	1,043
40	Conventional	74,364	51,412	3,430	812	17,495	29,674	22,952
41	*Multifamily residences*	*4,405*	*3,189*	*432*	*104*	*1,153*	*1,501*	*1,216*
42	FHA-insured	370	305	116	25	85	78	66
43	Conventional	4,035	2,884	315	78	1,068	1,423	1,150
44	Secured by other properties	42,459	28,943	2,248	579	9,456	16,660	13,517
45	*Loans to financial institutions*	*33,501*	*31,511*	*11,103*	*4,254*	*13,380*	*2,774*	*1,990*
46	To REIT's and mortgage companies	9,793	9,453	3,250	1,230	4,330	644	339
47	To domestic commercial banks	2,524	1,879	531	118	946	284	645
48	To banks in foreign countries	5,925	5,777	2,636	276	2,383	483	147
49	To other depositary institutions	1,085	977	115	24	684	154	107
50	To other financial institutions	14,175	13,424	4,571	2,606	5,038	1,208	751
51	Loans to security brokers and dealers	9,632	9,409	5,566	1,424	2,186	232	223
52	Other loans to purch./carry securities	4,060	3,375	386	310	1,734	945	685
53	Loans to farmers except real estate	23,667	13,080	120	154	3,033	9,773	10,586
54	Commercial and industrial loans	178,765	146,103	36,184	10,658	56,061	43,201	32,662
55	Loans to individuals	119,885	83,380	5,839	1,750	29,298	46,493	36,505
56	*Instalment loans*	*95,312*	*66,110*	*4,339*	*1,029*	*23,584*	*37,158*	*29,201*
57	Passenger automobiles	41,171	26,478	792	133	7,680	17,874	14,692
58	Residential-repair/modernize	6,528	4,518	308	52	1,793	2,365	2,010
59	Credit cards and related plans	14,094	12,380	1,668	667	6,764	3,281	1,713
60	Charge-account credit cards	10,978	9,803	1,146	633	5,518	2,507	1,175
61	Check and revolving credit plans	3,116	2,578	522	34	1,247	775	538
62	Other retail consumer goods	15,970	10,952	331	72	3,882	6,668	5,017
63	Mobile homes	8,697	6,163	177	28	2,205	3,753	2,534
64	Other	7,273	4,789	154	44	1,676	2,915	2,483
65	Other instalment loans	17,549	11,781	1,239	106	3,465	6,971	5,768
66	Single-payment loans to individuals	24,573	17,270	1,499	721	5,714	9,335	7,303
67	All other loans	13,975	11,926	2,197	1,015	5,565	3,148	2,050
68	**Total loans and securities, net**	**813,872**	**604,982**	**91,959**	**31,486**	**221,094**	**260,444**	**208,949**
69	Direct lease financing	5,119	4,829	1,072	130	2,850	777	290
70	Fixed assets Buildings, furniture, real estate	19,815	14,809	1,994	650	5,759	6,406	5,008
71	Investment in unconsolidated subsidiaries	2,472	2,438	1,097	213	1,042	85	34
72	Customer acceptances outstanding	11,661	11,303	5,737	629	4,623	313	358
73	Other assets	33,351	30,164	12,619	1,508	11,775	4,262	3,255
74	**Total assets**	**1,011,482**	**774,673**	**146,005**	**38,576**	**285,143**	**304,948**	**236,942**

For notes see opposite page.

1.26 Continued

	Liability or capital account	Insured commercial banks	Member banks[1] Total	Member banks[1] Large banks New York City	Member banks[1] Large banks City of Chicago	Member banks[1] Large banks Other large	Member banks[1] All other	Nonmember banks[1]
75	**Demand deposits**	**316,260**	**246,707**	**59,781**	**9,454**	**86,536**	**90,936**	**69,571**
76	Mutual savings banks	1,203	1,057	517	1	254	284	145
77	Other individuals, partnerships, and corporations	241,902	182,142	31,068	6,798	68,453	75,823	59,760
78	U.S. Govt.	3,422	2,283	112	31	623	1,517	1,140
79	States and political subdivisions	16,238	11,212	626	242	3,340	7,004	5,027
80	Foreign governments, central banks, etc.	1,270	1,249	988	19	212	30	20
81	Commercial banks in United States	34,890	33,781	18,080	1,955	10,125	3,621	1,128
82	Banks in foreign countries	6,140	5,979	4,741	150	969	118	161
83	Certified and officers' checks, etc.	11,194	9,004	3,648	258	2,560	2,538	2,190
84	**Time deposits**	**293,127**	**212,408**	**32,154**	**12,333**	**72,420**	**95,502**	**80,719**
85	Accumulated for personal loan payments	137	112	...	...	10	102	25
86	Mutual savings banks	352	331	128	43	139	21	21
87	Other individuals, partnerships, and corporations	230,513	165,815	23,878	8,781	55,372	77,784	64,698
88	U.S. Govt.	689	536	68	28	230	211	152
89	States and political subdivisions	46,368	31,771	1,388	1,182	12,804	16,397	14,597
90	Foreign governments, central banks, etc.	7,401	7,126	3,942	1,207	1,929	48	275
91	Commercial banks in United States	6,384	5,512	1,996	1,013	1,703	800	872
92	Banks in foreign countries	1,284	1,206	754	79	233	140	78
93	**Savings deposits**	**213,702**	**152,966**	**12,072**	**3,275**	**56,721**	**80,898**	**60,737**
94	Individuals and nonprofit organizations	197,632	141,168	10,868	2,945	52,604	74,751	56,464
95	Corporations and other profit organizations	9,651	7,143	583	248	3,016	3,296	2,508
96	U.S. Government	52	40	4	...	22	13	12
97	States and political subdivisions	6,242	4,500	535	82	1,054	2,830	1,742
98	All other	126	115	82	1	25	8	11
99	**Total deposits**	**823,090**	**612,081**	**104,006**	**25,063**	**215,676**	**267,336**	**211,027**
100	**Federal funds purchased and securities sold under agreements to repurchase**	**73,846**	**70,496**	**15,854**	**9,249**	**35,905**	**9,489**	**3,350**
101	Commercial banks	40,778	39,292	6,646	6,303	21,715	4,628	1,486
102	Brokers and dealers	8,472	8,145	1,454	1,335	4,484	870	327
103	Others	24,597	23,060	7,754	1,610	9,705	3,991	1,537
104	Other liabilities for borrowed money	5,229	4,977	2,373	102	2,119	383	252
105	Mortgage indebtedness	797	570	58	4	307	202	228
106	Bank acceptances outstanding	12,278	11,920	6,340	632	4,634	314	358
107	Other liabilities	17,433	15,097	4,939	807	6,049	3,303	2,442
108	**Total liabilities**	**932,674**	**715,142**	**133,570**	**35,856**	**264,689**	**281,027**	**217,656**
109	Subordinated notes and debentures	5,145	4,095	1,120	82	1,826	1,066	1,051
110	**Equity capital**	**73,662**	**55,436**	**11,315**	**2,638**	**18,628**	**22,855**	**18,236**
111	Preferred stock	67	25	...	...	2	23	42
112	Common stock	16,419	11,994	2,453	570	3,847	5,124	4,430
113	Surplus	29,165	21,497	4,230	1,243	7,686	8,338	7,671
114	Undivided profits	26,266	20,706	4,594	772	6,670	8,671	5,562
115	Other capital reserves	1,745	1,215	38	53	424	700	531
116	**Total liabilities and equity capital**	**1,011,482**	**774,673**	**146,005**	**38,576**	**285,143**	**304,948**	**236,942**
	MEMO ITEMS:							
117	Demand deposits adjusted[2]	231,519	165,830	24,269	5,588	57,408	78,564	65,690
	Average for last 15 or 30 days:							
118	Cash and due from bank	121,842	103,888	29,188	4,578	38,072	32,050	17,956
119	Federal funds sold and securities purchased under agreements to resell	42,908	33,274	3,121	1,384	16,897	11,873	9,675
120	Total loans	521,907	395,321	70,296	21,429	145,777	157,820	126,586
121	Time deposits of $100,000 or more	129,513	105,527	26,714	9,715	41,042	28,056	23,986
122	Total deposits	805,559	596,858	95,782	25,106	211,304	264,665	208,712
123	Federal funds purchased and securities sold under agreements to repurchase	76,919	73,461	19,126	9,305	35,188	9,842	3,458
124	Other liabilities for borrowed money	4,489	4,231	2,052	90	1,739	350	258
125	Standby letters of credit outstanding	12,593	11,931	6,925	996	3,242	768	662
126	Time deposits of $100,000 or more	131,851	107,632	26,650	9,501	42,859	28,621	24,219
127	Certificates of deposit	109,696	88,947	22,351	8,270	34,294	24,033	20,749
128	Other time deposits	22,155	18,685	4,299	1,231	8,565	4,589	3,470
129	Number of banks	14,405	5,737	12	9	154	5,562	8,678

1 Member banks exclude and nonmember banks include 10 noninsured trust companies that are members of the Federal Reserve System, and member banks exclude 2 national banks outside the continental United States.

2 Demand deposits adjusted are demand deposits other than domestic commercial interbank and U.S. Govt., less cash items reported as in process of collection.

NOTE. Data include consolidated reports, including figures for all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Securities are reported on a gross basis before deductions of valuation reserves. Holdings by type of security will be reported as soon as they become available.

Back data in lesser detail were shown in previous BULLETINS. Details may not add to totals because of rounding.

1.27 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS Assets and Liabilities

Millions of dollars, Wednesday figures

	Account	1977							
		Aug. 10	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28
1	**Total loans and investments**	**428,233**	**428,718**	**425,802**	**429,180**	**434,446**	**431,197**	**432,499**	**430,854**
	Loans:								
2	*Federal funds sold*[1]	*25,638*	*24,096*	*22,960*	*24,465*	*25,774*	*24,350*	*23,554*	*23,228*
3	To commercial banks	17,218	17,121	16,864	19,450	18,311	18,839	17,841	18,478
	To brokers and dealers involving—								
4	U.S. Treasury securities	4,964	3,779	3,289	2,427	4,872	2,980	3,140	2,249
5	Other securities	561	526	486	455	578	505	476	382
6	To others	2,895	2,670	2,321	2,133	2,013	2,026	2,097	2,119
7	*Other, gross*	*301,365*	*302,163*	*300,999*	*302,650*	*304,994*	*303,542*	*305,991*	*305,673*
8	Commercial and industrial	119,043	118,901	119,036	119,275	119,244	119,283	120,326	120,290
9	Agricultural	4,800	4,804	4,752	4,744	4,734	4,766	4,774	4,789
	For purchasing or carrying securities:								
	To brokers and dealers:								
10	U.S. Treasury securities	1,875	1,635	1,612	1,127	2,700	1,568	2,021	1,408
11	Other securities	9,057	9,414	8,471	9,043	9,049	8,865	9,181	8,992
	To others:								
12	U.S. Treasury securities	70	83	74	74	73	72	70	69
13	Other securities	2,583	2,582	2,578	2,606	2,600	2,597	2,600	2,606
	To nonbank financial institutions:								
14	Personal and sales finance cos., etc.	7,663	7,364	7,374	7,434	7,678	7,501	7,490	7,379
15	Other	15,302	15,250	14,941	15,071	15,117	15,146	14,978	15,146
16	Real estate	69,243	69,542	69,756	70,002	70,390	70,726	71,287	71,445
	To commercial banks:								
17	Domestic	1,721	1,941	1,837	1,839	2,119	1,699	2,031	2,003
18	Foreign	5,784	5,834	5,851	6,140	6,088	5,875	5,889	5,982
19	Consumer instalment	42,557	42,796	43,024	43,372	43,435	43,615	43,493	43,792
20	Foreign governments, official institutions, etc.	1,632	1,574	1,560	1,618	1,589	1,615	1,625	1,544
21	All other loans	20,035	20,443	20,133	20,305	20,178	20,214	20,226	20,228
22	Less: Loan loss reserve and unearned income on loans	9,180	9,226	9,265	9,278	9,341	9,387	9,406	9,348
23	*Other loans, net*	*292,185*	*292,937*	*291,734*	*293,372*	*295,653*	*294,155*	*296,585*	*296,325*
	Investments:								
24	*U.S. Treasury securities*	*45,930*	*47,209*	*46,718*	*46,479*	*47,945*	*46,870*	*46,717*	*45,713*
25	Bills	7,813	8,094	8,285	8,021	8,454	8,056	8,336	7,640
	Notes and bonds, by maturity:								
26	Within 1 year	9,175	9,010	8,921	9,156	9,195	9,175	9,110	9,000
27	1 to 5 years	25,244	26,000	25,546	25,216	26,332	25,788	25,425	25,273
28	After 5 years	3,698	4,105	3,966	4,086	3,964	3,851	3,846	3,800
29	*Other securities*	*64,480*	*64,476*	*64,390*	*64,864*	*65,074*	*65,822*	*65,643*	*65,588*
	Obligations of States and political subdivisions:								
30	Tax warrants, short-term notes, and bills	9,272	9,050	8,885	9,041	9,005	9,655	9,230	9,156
31	All other	41,716	41,773	41,697	41,963	42,062	42,216	42,089	42,256
	Other bonds, corporate stocks, and securities:								
32	Certificates of participation[2]	2,048	2,017	1,985	2,061	2,115	2,051	2,141	2,210
33	All other, including corporate stocks	11,444	11,636	11,823	11,799	11,892	11,900	12,183	11,966
34	Cash items in process of collection	35,519	37,922	34,543	42,095	41,257	40,192	36,888	36,875
35	Reserves with F.R. Banks	17,878	18,889	18,371	21,458	15,330	22,146	18,567	22,999
36	Currency and coin	5,710	5,862	6,018	6,127	5,793	6,215	6,035	6,299
37	Balances with domestic banks	12,741	12,977	12,667	14,140	12,564	13,083	12,179	13,322
38	Investments in subsidiaries not consolidated	2,688	2,308	2,326	2,368	2,783	2,842	2,857	2,872
39	Other assets	54,635	53,337	52,931	54,790	54,861	55,594	54,751	54,181
40	**Total assets/total liabilities**	**557,404**	**560,013**	**552,658**	**570,158**	**567,034**	**571,269**	**563,776**	**567,402**
	Deposits:								
41	*Demand deposits*	*171,688*	*175,002*	*168,704*	*183,179*	*179,609*	*181,255*	*174,307*	*176,535*
42	Individuals, partnerships, and corporations	124,918	127,719	122,941	130,901	130,128	133,635	126,319	125,685
43	States and political subdivisions	5,361	5,740	5,495	6,401	5,572	5,474	6,012	5,748
44	U.S. Govt.	1,653	1,465	1,075	1,009	1,701	1,520	3,256	5,352
	Domestic interbank:								
45	Commercial	24,341	25,137	24,394	26,704	26,782	25,106	23,741	25,178
46	Mutual savings	958	946	827	978	1,040	895	814	799
	Foreign:								
47	Governments, official institutions, etc.	1,390	937	1,228	1,747	1,650	1,194	1,285	1,212
48	Commercial banks	6,018	6,091	6,190	6,521	6,103	6,321	6,110	6,078
49	Certified and officers' checks	7,049	6,967	6,554	8,918	6,633	7,110	6,770	6,483
50	*Time and savings deposits*[3]	*238,751*	*238,899*	*239,228*	*239,523*	*238,704*	*238,901*	*239,243*	*241,749*
51	Savings[4]	94,301	94,131	93,914	93,594	93,708	93,418	93,290	93,406
52	Time:	144,450	144,768	145,314	145,929	144,996	145,483	145,953	148,343
53	Individuals, partnerships, and corporations	110,807	111,353	111,785	112,138	111,708	112,140	111,996	113,711
54	States and political subdivisions	20,642	20,810	21,040	21,271	21,157	21,268	21,459	21,693
55	Domestic interbank	4,223	4,126	4,065	4,141	4,089	4,076	4,267	4,490
56	Foreign govts., official institutions, etc.	7,201	6,882	6,853	6,859	6,541	6,488	6,589	6,825
57	Federal funds purchased, etc.[5]	72,453	71,211	69,015	72,088	74,015	75,886	72,032	72,295
	Borrowings from:								
58	F.R. Banks	736	738	1,938	858	335	136	2,446	877
59	Others	3,643	3,994	3,964	4,298	4,291	4,473	5,030	5,290
60	Other liabilities, etc.[6]	26,806	26,903	26,490	26,697	26,541	26,885	27,028	26,871
61	Total equity capital and subordinated notes/debentures[7]	43,327	43,266	43,319	43,515	43,539	43,733	43,690	43,785

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes time deposits of U.S. Govt. and of foreign banks, which are not shown separately.
4 For amounts of these deposits by ownership categories, see Table 1.30.
5 Includes securities sold under agreements to repurchase.
6 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
7 Includes reserves for securities and contingency portion of reserves for loans.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1977 Aug. 10	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28
1 **Total loans and investments**	**92,150**	**93,331**	**91,490**	**92,806**	**94,205**	**92,107**	**93,994**	**92,287**
Loans:								
2 *Federal funds sold*[1]	*4,657*	*4,909*	*4,109*	*4,803*	*3,683*	*3,961*	*4,490*	*4,327*
3 To commercial banks	2,295	2,586	2,468	3,303	2,142	2,132	2,458	2,699
To brokers and dealers involving—								
4 U.S. Treasury securities	1,056	1,146	714	674	918	1,051	1,154	733
5 Other securities	......	......	......	......	6	......	......	......
6 To others	1,306	1,177	927	826	617	778	878	895
7 *Other, gross*	*68,566*	*68,644*	*67,724*	*68,121*	*70,348*	*68,090*	*69,522*	*68,502*
8 Commercial and industrial	33,938	33,792	33,818	33,906	33,950	33,678	34,140	33,949
9 Agricultural	145	144	122	123	124	128	144	150
For purchasing or carrying securities:								
To brokers and dealers:								
10 U.S. Treasury securities	1,709	1,436	1,322	964	2,515	1,410	1,768	1,234
11 Other securities	4,780	5,136	4,596	4,906	4,913	4,829	5,048	4,850
To others:								
12 U.S. Treasury securities	24	29	28	25	25	24	24	23
13 Other securities	378	383	380	383	382	382	379	378
To nonbank financial institutions:								
14 Personal and sales finance cos., etc.	2,753	2,577	2,542	2,534	2,696	2,555	2,572	2,480
15 Other	4,757	4,739	4,655	4,667	4,760	4,731	4,693	4,793
16 Real estate	8,687	8,671	8,688	8,696	8,823	8,863	8,864	8,846
To commercial banks:								
17 Domestic	543	631	614	603	958	502	786	670
18 Foreign	2,506	2,641	2,623	2,863	2,940	2,683	2,772	2,883
19 Consumer instalment	4,117	4,134	4,158	4,170	4,172	4,206	4,193	4,220
20 Foreign governments, official institutions, etc.	438	356	341	381	331	348	380	350
21 All other loans	3,791	3,975	3,837	3,900	3,759	3,751	3,759	3,676
22 LESS: Loan loss reserve and unearned income on loans	1,688	1,695	1,683	1,716	1,752	1,761	1,747	1,709
23 *Other loans, net*	*66,878*	*66,949*	*66,041*	*66,405*	*68,596*	*66,329*	*67,775*	*66,793*
Investments:								
24 *U.S. Treasury securities*	*10,278*	*11,198*	*11,137*	*11,285*	*11,715*	*11,166*	*10,946*	*10,558*
25 Bills	2,529	3,024	3,166	3,184	3,065	2,895	2,847	2,620
Notes and bonds, by maturity:								
26 Within 1 year	1,374	1,356	1,314	1,486	1,492	1,501	1,466	1,456
27 1 to 5 years	5,583	5,835	5,811	5,805	6,310	5,931	5,795	5,660
28 After 5 years	792	983	846	810	848	839	838	822
29 *Other securities*	*10,337*	*10,275*	*10,203*	*10,313*	*10,211*	*10,651*	*10,783*	*10,609*
Obligations of States and political subdivisions:								
30 Tax warrants, short-term notes, and bills	2,565	2,431	2,320	2,319	2,223	2,561	2,463	2,420
31 All other	6,231	6,203	6,214	6,231	6,295	6,319	6,384	6,399
Other bonds, corporate stocks, and securities:								
32 Certificates of participation[2]	194	193	193	193	193	193	193	194
33 All other, including corporate stocks	1,347	1,448	1,476	1,570	1,500	1,578	1,743	1,596
34 Cash items in process of collection	12,461	12,278	11,843	16,243	11,667	12,333	11,601	12,409
35 Reserves with F.R. Banks	5,810	5,318	6,228	5,687	3,564	5,946	3,514	6,337
36 Currency and coin	837	831	843	856	839	861	861	892
37 Balances with domestic banks	6,042	6,068	6,002	6,861	5,129	5,856	5,321	6,143
38 Investments in subsidiaries not consolidated	1,310	1,313	1,311	1,311	1,377	1,376	1,380	1,375
39 Other assets	19,069	17,910	17,809	18,774	18,984	19,819	19,285	19,169
40 **Total assets/total liabilities**	**137,679**	**137,049**	**135,526**	**142,538**	**135,765**	**138,298**	**135,956**	**138,612**
Deposits:								
41 *Demand deposits*	*48,574*	*48,767*	*47,304*	*54,891*	*47,710*	*48,895*	*47,367*	*49,183*
42 Individuals, partnerships, and corporations	26,419	27,192	25,714	29,332	26,065	27,754	25,948	26,319
43 States and political subdivisions	485	531	497	840	480	436	495	427
44 U.S. Govt.	280	173	102	101	137	173	616	711
Domestic interbank:								
45 Commercial	11,735	11,784	12,095	13,004	11,412	11,378	11,268	12,788
46 Mutual savings	533	514	432	531	562	477	399	395
Foreign:								
47 Governments, official institutions, etc.	1,161	725	918	1,473	1,416	961	1,026	958
48 Commercial banks	4,584	4,666	4,596	4,993	4,713	4,666	4,698	4,645
49 Certified and officers' checks	3,377	3,182	2,950	4,617	2,925	3,050	2,917	2,940
50 *Time and savings deposits*[3]	*42,026*	*42,027*	*41,857*	*41,746*	*41,163*	*41,106*	*40,805*	*41,748*
51 Savings[4]	10,598	10,581	10,510	10,449	10,438	10,400	10,357	10,369
52 Time:	31,428	31,446	31,347	31,297	30,725	30,706	30,448	31,379
53 Individuals, partnerships, and corporations	23,475	23,750	23,635	23,604	23,296	23,419	23,019	23,688
54 States and political subdivisions	1,410	1,452	1,451	1,403	1,396	1,397	1,423	1,452
55 Domestic interbank	1,549	1,512	1,516	1,547	1,510	1,465	1,481	1,563
56 *Foreign govts., official institutions, etc.*	4,139	3,862	3,902	3,899	3,703	3,616	3,696	3,874
57 Federal funds purchased, etc.[5]	20,785	20,035	19,376	19,815	20,966	22,203	20,088	20,751
Borrowings from:								
58 F.R. Banks	......	......	1,018	......	204	......	1,522	......
59 Others	1,456	1,509	1,453	1,652	1,537	1,634	1,796	2,138
60 Other liabilities, etc.[6]	12,574	12,451	12,253	12,035	11,811	11,899	11,798	12,208
61 Total equity capital and subordinated notes/debentures[7]	12,264	12,260	12,265	12,399	12,374	12,561	12,580	12,584

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes time deposits of U.S. Govt. and of foreign banks, which are not shown separately.
4 For amounts of these deposits by ownership categories, see Table 1.30.
5 Includes securities sold under agreements to repurchase.
6 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
7 Includes reserves for securities and contingency portion of reserves for loans.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS OUTSIDE NEW YORK CITY
Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1977 Aug. 10	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28
1 **Total loans and investments**	**336,083**	**335,387**	**334,312**	**336,374**	**340,241**	**339,090**	**338,505**	**338,567**
Loans:								
2 *Federal funds sold*[1]	*20,981*	*19,187*	*18,851*	*19,662*	*22,091*	*20,389*	*19,064*	*18,901*
3 To commercial banks	14,923	14,535	14,396	16,147	16,169	16,707	15,383	15,779
To brokers and dealers involving								
4 U.S. Treasury securities	3,908	2,633	2,575	1,753	3,954	1,929	1,986	1,516
5 Other securities	561	526	486	455	572	505	476	382
6 To others	1,589	1,493	1,394	1,307	1,396	1,248	1,219	1,224
7 *Other, gross*	*232,799*	*233,519*	*233,275*	*234,529*	*234,646*	*235,452*	*236,469*	*237,171*
8 Commercial and industrial	85,105	85,109	85,218	85,369	85,294	85,605	86,186	86,341
9 Agricultural	4,655	4,660	4,630	4,621	4,610	4,638	4,630	4,639
For purchasing or carrying securities:								
To brokers and dealers:								
10 U.S. Treasury securities	166	199	290	163	185	158	253	174
11 Other securities	4,277	4,278	3,875	4,137	4,136	4,036	4,133	4,142
To others:								
12 U.S. Treasury securities	46	54	46	49	48	48	46	46
13 Other securities	2,205	2,199	2,198	2,223	2,218	2,215	2,221	2,228
To nonbank financial institutions:								
14 Personal and sales finance cos., etc.	4,910	4,787	4,832	4,900	4,982	4,946	4,918	4,899
15 Other	10,545	10,511	10,286	10,404	10,357	10,415	10,285	10,353
16 Real estate	60,556	60,871	61,068	61,306	61,567	61,863	62,423	62,599
To commercial banks:								
17 Domestic	1,178	1,310	1,223	1,236	1,161	1,197	1,245	1,333
18 Foreign	3,278	3,193	3,228	3,277	3,148	3,192	3,117	3,099
19 Consumer instalment	38,440	38,662	38,866	39,202	39,263	39,409	39,300	39,572
20 Foreign governments, official institutions, etc.	1,194	1,218	1,219	1,237	1,258	1,267	1,245	1,194
21 All other loans	16,244	16,468	16,296	16,405	16,419	16,463	16,467	16,552
22 LESS: Loan reserve and unearned income on loans	7,492	7,531	7,582	7,562	7,589	7,626	7,659	7,639
23 *Other loans, net*	*225,307*	*225,988*	*225,693*	*226,967*	*227,057*	*227,826*	*228,810*	*229,532*
Investments:								
24 *U.S. Treasury securities*	*35,652*	*36,011*	*35,581*	*35,194*	*36,230*	*35,704*	*35,771*	*35,155*
25 Bills	5,284	5,070	5,119	4,837	5,389	5,161	5,489	5,020
Notes and bonds, by maturity:								
26 Within 1 year	7,801	7,654	7,607	7,670	7,703	7,674	7,644	7,544
27 1 to 5 years	19,661	20,165	19,735	19,411	20,022	19,857	19,630	19,613
28 After 5 years	2,906	3,122	3,120	3,276	3,116	3,012	3,008	2,978
29 *Other securities*	*54,143*	*54,201*	*54,187*	*54,551*	*54,863*	*55,171*	*54,860*	*54,979*
Obligations of States and political subdivisions:								
30 Tax warrants, short-term notes, and bills	6,707	6,619	6,565	6,722	6,782	7,094	6,767	6,736
31 All other	35,485	35,570	35,483	35,732	35,767	35,897	35,705	35,857
Other bonds, corporate stocks, and securities:								
32 Certificates of participation[2]	1,854	1,824	1,792	1,868	1,922	1,858	1,948	2,016
33 All other, including corporate stocks	10,097	10,188	10,347	10,229	10,392	10,322	10,440	10,370
34 Cash items in process of collection	23,058	25,644	22,700	25,852	29,590	27,859	25,287	24,466
35 Reserves with F. R. Banks	12,068	13,571	12,143	15,771	11,766	16,200	15,053	16,662
36 Currency and coin	4,873	5,031	5,175	5,271	4,954	5,354	5,174	5,407
37 Balances with domestic banks	6,699	6,909	6,665	7,279	7,435	7,227	6,858	7,179
38 Investments in subsidiaries not consolidated	1,378	995	1,015	1,057	1,406	1,466	1,477	1,497
39 Other assets	35,566	35,427	35,122	36,016	35,877	35,775	35,466	35,012
40 **Total assets/total liabilities**	**419,725**	**422,964**	**417,132**	**427,620**	**431,269**	**432,971**	**427,820**	**428,790**
Deposits:								
41 *Demand deposits*	*123,114*	*126,235*	*121,400*	*128,288*	*131,899*	*132,360*	*126,940*	*127,352*
42 Individuals, partnerships, and corporations	98,499	100,527	97,227	101,569	104,063	105,881	100,371	99,366
43 States and political subdivisions	4,876	5,209	4,998	5,561	5,092	5,038	5,517	5,321
44 U.S. Govt.	1,373	1,292	973	908	1,564	1,347	2,640	4,641
Domestic interbank:								
45 Commercial	12,606	13,353	12,299	13,700	15,370	13,728	12,473	12,390
46 Mutual savings	425	432	395	447	478	418	415	404
Foreign:								
47 Governments, official institutions, etc.	229	212	310	274	234	233	259	254
48 Commercial banks	1,434	1,425	1,594	1,528	1,390	1,655	1,412	1,433
49 Certified and officers' checks	3,672	3,785	3,604	4,301	3,708	4,060	3,853	3,543
50 *Time and savings deposits*[3]	*196,725*	*196,872*	*197,371*	*197,777*	*197,541*	*197,795*	*198,438*	*200,001*
51 Savings[4]	83,703	83,550	83,404	83,145	83,270	83,018	82,933	83,037
52 Time:	113,022	113,322	113,967	114,632	114,271	114,777	115,505	116,964
53 Individuals, partnerships, and corporations	87,332	87,603	88,150	88,534	88,412	88,721	88,977	90,023
54 States and political subdivisions	19,232	19,358	19,589	19,868	19,761	19,871	20,036	20,241
55 Domestic interbank	2,674	2,614	2,549	2,594	2,579	2,611	2,786	2,927
56 Foreign govts., official institutions, etc.	3,062	3,020	2,951	2,960	2,838	2,872	2,893	2,951
57 Federal funds purchased, etc.[5]	51,668	51,176	49,639	52,273	53,049	53,683	51,944	51,544
Borrowings from:								
58 F. R. Banks	736	738	920	858	131	136	924	877
59 Others	2,187	2,485	2,511	2,646	2,754	2,839	3,234	3,152
60 Other liabilities, etc.[6]	14,232	14,452	14,237	14,662	14,730	14,986	15,230	14,663
61 Total equity capital and subordinated notes/debentures[7]	31,063	31,006	31,054	31,116	31,165	31,172	31,110	31,201

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes time deposits of U.S. Govt. and of foreign banks, which are not shown separately.
4 For amounts of these deposits by ownership categories, see Table 1.30.
5 Includes securities sold under agreements to repurchase.
6 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
7 Includes reserves for securities and contingency portion of reserves for loans.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

	Account and bank group	1977 Aug. 10	Aug. 17	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28
	Total loans (gross) and investments, adjusted[1]								
1	*Large banks*	*418,474*	*418,882*	*416,366*	*417,169*	*423,357*	*420,046*	*422,033*	*419,721*
2	New York City banks	91,000	91,809	90,091	90,616	92,857	91,234	92,497	90,627
3	Banks outside New York City	327,474	327,073	326,275	326,553	330,500	328,812	329,536	329,094
	Total loans (gross), adjusted								
4	*Large banks*	*308,064*	*307,197*	*305,258*	*305,826*	*310,338*	*307,354*	*309,673*	*308,420*
5	New York City banks	70,385	70,336	68,751	69,018	70,931	69,417	70,768	69,460
6	Banks outside New York City	237,679	236,861	236,507	236,808	239,407	237,937	238,905	238,960
	Demand deposits, adjusted[2]								
7	*Large banks*	*110,175*	*110,478*	*108,692*	*113,371*	*109,869*	*114,437*	*110,422*	*109,130*
8	New York City banks	24,098	24,532	23,264	25,543	24,494	25,011	23,882	23,275
9	Banks outside New York City	86,077	85,946	85,428	87,828	85,375	89,426	86,540	85,855
	Large negotiable time CD's included in time and savings deposits[3]								
	Total:								
10	**Large banks**	**64,272**	**64,510**	**64,943**	**65,028**	**64,697**	**64,927**	**65,245**	**67,447**
11	New York City	20,455	20,466	20,428	20,251	19,880	19,760	19,533	20,497
12	Banks outside New York City	43,817	44,044	44,515	44,777	44,817	45,167	45,712	46,950
	Issued to IPC's:								
13	*Large banks*	*43,229*	*43,683*	*44,087*	*44,061*	*43,934*	*44,096*	*43,868*	*45,397*
14	New York City Banks	14,003	14,261	14,201	13,979	13,813	13,814	13,460	14,145
15	Banks outside New York City	29,226	29,422	29,886	30,082	30,121	30,282	30,408	31,252
	Issued to others:								
16	*Large banks*	*21,043*	*20,827*	*20,856*	*20,967*	*20,763*	*20,831*	*21,377*	*22,050*
17	New York City banks	6,452	6,205	6,227	6,272	6,067	5,946	6,073	6,352
18	Banks outside New York City	14,591	14,622	14,629	14,695	14,696	14,885	15,304	15,698
	All other large time deposits[4]								
	Total:								
19	**Large banks**	**26,965**	**26,983**	**27,130**	**27,450**	**27,161**	**27,130**	**27,408**	**27,502**
20	New York City banks	5,588	5,574	5,610	5,589	5,509	5,560	5,555	5,564
21	Banks outside New York City	21,377	21,409	21,520	21,861	21,652	21,570	21,853	21,938
	Issued to IPC's:								
22	*Large banks*	*15,087*	*15,099*	*15,173*	*15,368*	*15,358*	*15,400*	*15,571*	*15,635*
23	New York City banks	4,157	4,150	4,187	4,235	4,222	4,276	4,257	4,277
24	*Banks outside New York City*	*10,930*	*10,949*	*10,986*	*11,133*	*11,136*	*11,124*	*11,314*	*11,358*
	Issued to others:								
25	*Large banks*	*11,878*	*11,884*	*11,957*	*12,082*	*11,803*	*11,730*	*11,837*	*11,867*
26	New York City banks	1,431	1,424	1,423	1,354	1,287	1,284	1,298	1,287
27	Banks outside New York City	10,447	10,460	10,534	10,728	10,516	10,446	10,539	10,580
	Savings deposits, by ownership category								
	Individuals and nonprofit organizations:								
28	*Large banks*	*87,244*	*87,156*	*86,967*	*86,660*	*86,828*	*86,549*	*86,499*	*86,621*
29	New York City banks	9,686	9,679	9,648	9,583	9,571	9,529	9,498	9,521
30	Banks outside New York City	77,558	77,477	77,319	77,077	77,257	77,020	77,001	77,100
	Partnerships and corporations for profit:[5]								
31	*Large banks*	*5,167*	*5,158*	*5,191*	*5,183*	*5,167*	*5,172*	*5,134*	*5,168*
32	New York City banks	575	572	573	563	571	562	560	561
33	Banks outside New York City	4,592	4,586	4,618	4,620	4,596	4,610	4,574	4,607
	Domestic governmental units:								
34	*Large banks*	*1,828*	*1,760*	*1,712*	*1,706*	*1,664*	*1,644*	*1,609*	*1,588*
35	New York City banks	293	291	262	275	265	273	267	270
36	Banks outside New York City	1,535	1,469	1,450	1,431	1,399	1,371	1,342	1,318
	All other:[6]								
37	*Large banks*	*62*	*57*	*44*	*45*	*49*	*53*	*48*	*29*
38	New York City banks	44	39	27	28	31	36	32	17
39	Banks outside New York City	18	18	17	17	18	17	16	12
	Gross liabilities of banks to their foreign branches								
40	*Large banks*	*3,542*	*3,930*	*3,579*	*4,191*	*3,824*	*4,469*	*4,172*	*5,302*
41	New York City banks	2,007	2,070	1,922	2,322	2,123	1,962	2,539	3,198
42	Banks outside New York City	1,535	1,860	1,657	1,869	1,701	2,507	1,633	2,104
	Loans sold outright to selected institutions by all large banks[7]								
43	Commercial and industrial	2,832	2,807	2,851	2,845	2,800	2,822	2,813	2,775
44	Real estate	212	215	217	216	220	226	215	221
45	All other	1,013	1,014	1,025	1,022	1,028	1,010	1,029	1,050

1 Exclusive of loans and Federal funds transactions with domestic commercial banks.
2 All demand deposits except U.S. Govt. and domestic commercial banks, *less cash items in process of collection.*
3 Certificates of deposit (CD's) issued in denominations of $100,000 or more.
4 All other time deposits issued in denominations of $100,000 or more (not included in large negotiable CD's).
5 Other than commercial banks.
6 Domestic and foreign commercial banks, and official international organizations.
7 To bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

1.31 LARGE WEEKLY REPORTING COMMERCIAL BANKS Commercial and Industrial Loans

Millions of dollars

Industry classification	Outstanding					Net change during—				
	1977					1977		1977		
	Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28	Q1	Q2	July	Aug.	Sept.
	Total loans classified[2]									
1 **Total**	**97,020**	**97,000**	**96,978**	**97,777**	**97,682**	**−916**	**1,542**	**−602**	**286**	**662**
Durable goods manufacturing:										
2 Primary metals	2,390	2,380	2,429	2,501	2,494	377	−161	−93	67	104
3 Machinery	4,481	4,450	4,541	4,610	4,571	108	38	−60	−263	90
4 Transportation equipment	2,336	2,339	2,372	2,406	2,386	74	94	23	−85	50
5 Other fabricated metal products	1,869	1,871	1,894	1,965	1,975	181	70	−25	−67	106
6 Other durable goods	3,661	3,695	3,730	3,749	3,732	90	323	−65	59	71
Nondurable goods manufacturing:										
7 Food, liquor, and tobacco	3,296	3,368	3,361	3,443	3,456	−151	−21	−151	119	160
8 Textiles, apparel, and leather	4,065	4,111	4,112	4,060	4,020	381	475	193	20	−45
9 Petroleum refining	2,708	2,585	2,544	2,576	2,713	−305	285	10	77	5
10 Chemicals and rubber	2,813	2,830	2,851	2,897	2,881	131	68	11	45	68
11 Other nondurable goods	2,097	2,122	2,137	2,144	2,168	147	−22	−8	83	71
12 Mining, including crude petroleum and natural gas	8,159	8,163	8,204	8,285	8,232	94	757	12	−1	73
Trade:										
13 Commodity dealers	1,382	1,364	1,333	1,356	1,324	204	−434	−207	−114	−58
14 Other wholesale	6,732	6,813	6,759	6,813	6,860	465	36	−31	2	128
15 Retail	7,164	7,074	7,165	7,109	7,200	405	380	282	−5	36
16 Transportation	4,965	4,938	4,958	4,998	4,968	−140	−128	−123	51	3
17 Communication	1,255	1,304	1,289	1,363	1,268	−10	−152	36	23	13
18 Other public utilities	5,144	5,116	5,001	5,089	5,040	−61	12	−314	−94	−104
19 Construction	4,389	4,371	4,385	4,559	4,541	64	294	114	8	152
20 Services	11,147	11,025	11,057	11,140	11,053	398	331	−147	10	−94
21 All other domestic loans	7,942	7,924	7,927	7,912	7,922	−303	105	−32	253	−20
22 Bankers acceptances	3,799	4,003	3,752	3,679	3,766	−2,930	−263	11	108	−33
23 Foreign commercial and industrial loans	5,226	5,154	5,177	5,123	5,112	−135	−545	−14	−10	−114
MEMO:										
24 Commercial paper included in total classified loans[1]	203	....	....	....	233	−216	−34	−75	−40	30
25 Total commercial and industrial loans of all large weekly reporting banks	119,275	119,244	119,283	120,326	120,290	203	2,648	−576	412	1,015
	1977					1977		1977		
	May 25	June 29	July 27	Aug. 31	Sept. 28	Q1	Q2	July	Aug.	Sept.
	"Term" loans classified[3]									
26 **Total**	**46,107**	**46,516**	**45,901**	**46,076**	**46,337**	**630**	**675**	**−615**	**175**	**261**
Durable goods manufacturing:										
27 Primary metals	1,342	1,388	1,323	1,394	1,426	204	−133	−65	71	32
28 Machinery	2,490	2,520	2,414	2,306	2,337	−33	−32	−106	−108	31
29 Transportation equipment	1,386	1,382	1,404	1,382	1,429	−13	43	22	−22	47
30 Other fabricated metal products	826	832	813	785	775	44	12	−19	−28	−10
31 Other durable goods	1,647	1,722	1,719	1,734	1,774	....	97	−3	15	40
Nondurable goods manufacturing:										
32 Food, liquor, and tobacco	1,438	1,435	1,363	1,368	1,400	14	23	−72	5	32
33 Textiles, apparel, and leather	1,163	1,150	1,204	1,149	1,154	−27	79	54	−55	5
34 Petroleum refining	1,824	1,938	1,975	1,988	1,997	−202	168	37	13	9
35 Chemicals and rubber	1,615	1,646	1,677	1,705	1,745	103	99	31	28	40
36 Other nondurable goods	1,172	1,128	1,118	1,088	1,094	78	96	−10	−30	6
37 Mining, including crude petroleum and natural gas	6,043	6,375	6,250	6,295	6,283	173	519	−125	45	−12
Trade:										
38 Commodity dealers	202	171	180	209	194	−1	−28	9	29	−15
39 Other wholesale	1,519	1,483	1,478	1,485	1,540	16	4	−5	7	55
40 Retail	2,353	2,325	2,331	2,379	2,399	223	57	6	48	20
41 Transportation	3,604	3,649	3,607	3,624	3,625	−164	−124	−42	17	1
42 Communication	793	748	764	785	786	−68	−31	16	21	1
43 Other public utilities	3,796	3,771	3,416	3,358	3,302	243	−136	−355	−58	−56
44 Construction	1,722	1,833	1,873	1,904	2,042	32	172	40	31	138
45 Services	5,283	5,301	5,247	5,288	5,315	113	190	−54	41	27
46 All other domestic loans	2,465	2,432	2,464	2,733	2,542	−167	−1	32	269	−191
47 Foreign commercial and industrial loans	3,424	3,287	3,281	3,117	3,178	62	−399	6	−164	61

1 Reported for the last Wednesday of each month.
2 Includes "term" loans, shown below.
3 Outstanding loans with an original maturity of more than 1 year and all outstanding loans granted under a formal agreement—revolving credit or standby—on which the original maturity of the commitment was in excess of 1 year.

1.32 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations

Billions of dollars, estimated daily-average balances

Type of holder	At commercial banks									
	1972 Dec.	1973 Dec.	1974 Dec.	1975 Dec.	1976				1977	
					Mar.	June	Sept.	Dec.	Mar.	June
1 **All holders, IPC**	**208.0**	**220.1**	**225.0**	**236.9**	**227.9**	**234.2**	**236.1**	**250.1**	**242.3**	**253.8**
2 Financial business	18.9	19.1	19.0	20.1	19.9	20.3	19.7	22.3	21.6	25.9
3 Nonfinancial business	109.9	116.2	118.8	125.1	116.9	121.2	122.6	130.2	125.1	129.2
4 Consumer	65.4	70.1	73.3	78.0	77.2	78.8	80.0	82.6	81.6	84.1
5 Foreign	1.5	2.4	2.3	2.4	2.4	2.5	2.3	2.7	2.4	2.5
6 Other	12.3	12.4	11.7	11.3	11.4	11.4	11.5	12.4	11.6	12.2
	At weekly reporting banks									
	1973 Dec.	1974 Dec.	1975 Dec.	1976 Dec.	1977					
					Mar.	Apr.	May	June	July	Aug.p
7 **All holders, IPC**	**118.1**	**119.7**	**124.4**	**128.5**	**124.7**	**127.5**	**124.4**	**128.7**	**131.0**	**128.0**
8 Financial business	14.9	14.8	15.6	17.5	16.7	16.7	17.0	17.8	18.9	18.0
9 Nonfinancial business	66.2	66.9	69.9	69.7	67.8	68.5	67.2	69.5	70.7	68.8
10 Consumer	28.0	29.0	29.9	31.7	31.5	33.5	31.5	32.3	32.6	32.4
11 Foreign	2.2	2.2	2.3	2.6	2.2	2.3	2.4	2.4	2.2	2.5
12 Other	6.8	6.8	6.6	7.1	6.5	6.6	6.4	6.7	6.7	6.4

NOTE.—Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.

Data for August 1976 have been revised as follows: All holders, IPC, 119.4; financial business, 15.3; nonfinancial business, 65.5; consumer, 30.0; foreign, 2.5; all other, 6.1.

1.33 COMMERCIAL PAPER AND BANKERS ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1974 Dec.	1975 Dec.	1976 Dec.	1977						
				Feb.	Mar.	Apr.	May	June	July	Aug.
	Commercial paper (seasonally adjusted)									
1 **All issuers**	**49,742**	**48,145**	**52,623**	**52,775**	**54,546**	**56,715**	**57,434**	**61,237**	**60,323**	**60,320**
Financial companies:[1]										
Dealer-placed paper:[2]										
2 Total	4,599	6,220	7,271	6,931	7,196	7,286	7,555	8,196	8,261	8,167
3 Bank-related	1,814	1,762	1,900	1,929	1,839	1,778	1,805	1,894	1,744	1,650
Directly-placed paper:[3]										
4 Total	31,801	31,230	32,365	32,073	33,873	34,753	34,949	37,593	36,773	30,699
5 Bank-related	6,518	6,892	5,959	5,502	6,126	5,703	5,999	6,636	6,344	6,394
6 Nonfinancial companies[4]	13,342	10,695	12,987	13,771	13,475	14,676	14,930	15,538	15,289	15,454
	Dollar acceptances (not seasonally adjusted)									
7 **Total**	**18,484**	**18,727**	**22,523**	**22,187**	**22,694**	**22,899**	**23,201**	**23,440**	**23,499**	**23,091**
Held by:										
8 *Accepting banks*	*4,226*	*7,333*	*10,442*	*7,991*	*7,787*	*7,761*	*7,326*	*7,630*	*7,601*	*7,647*
9 Own bills	3,685	5,899	8,769	6,654	6,367	6,309	6,218	6,356	6,464	6,580
10 Bills bought	542	1,435	1,673	1,337	1,421	1,381	1,108	1,273	1,137	1,067
F.R. Banks:										
11 Own account	999	1,126	991	322	280	881	108	r621	r393	131
12 Foreign correspondents	1,109	293	375	440	435	394	385	360	296	304
13 Others	12,150	9,975	13,447	13,434	14,191	13,863	15,382	r14,829	r15,209	15,009
Based on:										
14 Imports into United States	4,023	3,726	4,992	5,138	4,983	5,114	5,124	5,635	5,570	5,446
15 Exports from United States	4,067	4,001	4,818	5,074	5,222	5,376	5,642	5,729	5,842	5,747
16 All other	10,394	11,000	12,713	11,974	12,489	12,410	12,436	12,076	12,088	11,899

1 Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.

2 Includes all financial company paper sold by dealers in the open market.

3 As reported by financial companies that place their paper directly with investors.

4 Includes public utilities and firms engaged primarily in activities such as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

1.34 PRIME RATE CHARGED BY BANKS on Short-term Business Loans

Per cent per annum

Effective date	Rate	Effective date	Rate	Month	Average rate	Month	Average rate
1976—Jan. 12	7	1976—Nov. 1	6½	1976—June	7.20	1977—Jan.	6.25
21	6¾	Dec. 13	6¼	July	7.25	Feb.	6.25
June 1	7	1977—May 13	6½	Aug.	7.01	Mar.	6.25
7	7¼	31	6¾	Sept.	7.00	Apr.	6.25
Aug. 2	7	Aug. 22	7	Oct.	6.78	May	6.41
Oct. 4	6¾	Sept. 16	7¼	Nov.	6.50	June	6.75
				Dec.	6.35	July	6.75
						Aug.	6.83
						Sept.	7.13

1.35 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 2–7, 1977

Item	All sizes	Size of loan (in thousands of dollars): 1–24	25–49	50–99	100–499	500–999	1,000 and over
		Short-term commercial and industrial loans					
1 Amount of loans (thousands of dollars)	6,652,747	806,754	431,421	504,177	1,247,257	605,755	3,057,385
2 Number of loans	144,391	113,551	13,447	7,967	7,316	962	1,148
3 Weighted-average maturity (months)	2.9	3.2	3.7	3.8	2.7	2.7	2.7
4 Weighted-average interest rate (per cent per annum)	7.37	9.04	8.39	8.04	7.57	7.11	6.65
5 Interquartile range [1]	6.40–8.14	8.03–9.50	7.71–9.20	7.25–8.97	6.50–8.30	6.40–7.54	6.25–6.92
Percentage of amount of loans:							
6 With floating rate	47.2	12.6	18.3	34.1	40.7	49.8	64.6
7 Made under commitment	52.4	23.0	33.5	36.1	51.3	61.0	64.2
		Long-term commercial and industrial loans					
8 Amount of loans (thousands of dollars)	1,651,267	439,081	175,761	183,375	188,678	74,981	589,391
9 Number of loans	59,524	49,530	5,398	3,157	1,172	119	150
10 Weighted-average maturity (months)	35.0	18.8	23.1	46.8	49.1	42.9	41.5
11 Weighted-average interest rate (per cent per annum)	8.24	9.31	8.95	8.71	8.03	8.03	7.18
12 Interquartile range [1]	7.20–9.25	7.50–9.50	7.26–9.38	7.25–10.20	6.98–9.00	6.84–8.84	6.51–7.45
Percentage of amount of loans:							
13 With floating rate	36.7	3.0	7.3	9.1	42.1	68.3	73.4
14 Made under commitment	45.1	9.4	8.5	19.0	37.3	68.9	90.2
		Construction and land development loans					
15 Amount of loans (thousands of dollars)	863,318	167,107	87,280	331,708	145,933	131,289	
16 Number of loans	28,820	19,843	2,763	5,100	1,017	98	
17 Weighted-average maturity (months)	7.5	8.0	5.7	4.8	9.5	12.7	
18 Weighted-average interest rate (per cent per annum)	8.72	9.28	8.95	8.79	8.46	7.97	
19 Interquartile range [1]	8.16–9.25	8.25–9.92	8.00–9.73	8.71–8.71	8.00–9.00	7.43–8.91	
Percentage of amount of loans:							
20 With floating rate	20.0	8.4	9.9	3.7	32.2	69.1	
21 Secured by real estate	81.4	81.9	82.5	82.7	63.1	97.0	
22 Made under commitment	39.4	46.4	56.3	13.6	45.5	77.4	
23 Type of construction: 1- to 4-family	55.9	75.9	74.6	61.4	23.6	39.9	
24 Multifamily	11.9	4.3	1.0	18.6	7.9	16.7	
25 Nonresidential	32.2	19.8	24.4	20.0	68.5	43.4	

Item	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
		Loans to farmers					
26 Amount of loans (thousands of dollars)	924,826	196,521	212,922	140,441	145,491	102,271	127,180
27 Number of loans	77,543	56,467	13,784	4,109	2,219	765	199
28 Weighted-average maturity (months)	8.3	8.1	7.9	11.5	6.6	5.9	9.6
29 Weighted-average interest rate (per cent per annum)	r8.72	9.06	8.98	r8.92	8.73	8.58	7.67
30 Interquartile range [1]	8.25–9.20	8.62–9.34	8.50–9.24	8.45–9.20	8.31–9.20	8.16–9.07	6.27–8.68
31 By purpose of loan:							
32 Feeder livestock	8.42	8.84	8.80	8.65	8.55	8.19	7.68
33 Other livestock	r8.14	8.89	8.91	r8.85	8.81	8.47	6.77
34 Other current operating expenses	8.84	9.01	8.95	8.81	8.91	8.59	8.01
35 Farm machinery and equipment	9.40	9.47	9.44	9.74	8.96	8.58	8.72
36 Other	8.82	9.04	8.90	9.04	8.66	8.73	8.78

[1] Interest rate range that covers the middle 50 per cent of the total dollar amount of loans made.

NOTE.—For more detail, see the Board's G.14 statistical release.

1.36 INTEREST RATES Money and Capital Markets

Averages, per cent per annum

	Instrument	1974	1975	1976	1977 June	1977 July	1977 Aug.	1977 Sept.	1977, week ending— Sept. 3	Sept. 10	Sept. 17	Sept. 24	Oct. 1
	Money market rates												
	Prime commercial paper [1]												
1	90- to 119-day	10.05	6.26	5.24	5.42	5.38	5.75	6.09	5.88	5.89	6.13	6.15	6.25
2	4- to 6-month	9.87	6.33	5.35	5.49	5.41	5.84	6.17	6.00	5.99	6.19	6.22	6.30
3	Finance company paper, directly placed, 3- to 6-month [2]	8.62	6.16	5.22	5.38	5.38	5.71	6.04	5.88	5.88	6.05	6.13	6.13
4	Prime bankers acceptances, 90-day [3]	9.92	6.30	5.19	5.39	5.43	5.88	6.16	5.93	5.98	6.19	6.22	6.30
5	Federal funds [4]	10.51	5.82	5.05	5.39	5.42	5.90	6.14	6.02	5.97	6.05	6.10	6.35
	Large negotiable certificates of deposit												
6	3-month, secondary market [5]	10.27	6.43	5.26	5.42	5.46	5.91	6.18	r5.98	5.97	6.10	6.22	6.37
7	3-month, primary market [6]	......	......	5.15	5.35	5.32	5.82	6.04	r5.88	5.84	6.02	6.00	6.29
8	Euro-dollar deposits, 3-month [7]	10.96	6.97	5.57	5.78	5.80	6.30	6.57	r6.30	6.26	6.49	6.59	6.78
	U.S. Govt. securities												
	Bills: [8]												
	Market yields:												
9	3-month	7.84	5.80	4.98	5.02	5.19	5.49	5.81	5.56	5.65	5.86	5.90	5.89
10	6-month	7.95	6.11	5.26	5.21	5.40	5.83	6.04	5.86	5.93	6.05	6.06	6.16
11	1-year	7.71	6.30	5.52	5.41	5.57	5.97	6.13	5.98	6.04	6.14	6.15	6.21
	Rates on new issue:												
12	3-month	7.886	5.838	4.989	5.004	5.146	5.500	5.770	5.574	5.554	5.887	5.851	5.982
13	6-month	7.926	6.122	5.266	5.198	5.351	5.810	5.991	5.849	5.845	6.098	5.976	6.185
	Notes and bonds maturing in												
14	9 to 12 months [9]	8.25	6.70	5.84	5.76	5.89	6.35	6.53	6.35	6.41	6.59	6.52	6.64
	Constant maturities: [10]												
15	1-year	8.18	6.76	5.88	5.80	5.94	6.37	6.53	6.35	6.41	6.57	6.55	6.63
	Capital market rates												
	Government notes and bonds												
	U.S. Treasury:												
	Constant maturities: [10]												
16	2-year	......	......	6.31	6.13	6.27	6.61	6.71	6.56	6.59	6.73	6.76	6.82
17	3-year	7.82	7.49	6.77	6.39	6.51	6.79	6.84	6.72	6.75	6.84	6.86	6.94
18	5-year	7.80	7.77	7.18	6.76	6.84	7.03	7.04	6.93	6.98	7.05	7.06	7.10
19	7-year	7.71	7.90	7.42	7.05	7.12	7.24	7.21	7.11	7.15	7.22	7.22	7.26
20	10-year	7.56	7.99	7.61	7.28	7.33	7.40	7.34	7.27	7.29	7.35	7.36	7.40
21	20-year	8.05	8.19	7.86	7.64	7.60	7.64	7.57	7.52	7.52	7.57	7.59	7.61
22	30-year	......	......	......	7.64	7.64	7.68	7.64	7.59	7.60	7.64	7.66	7.68
	Notes and bonds maturing in [9]												
23	3 to 5 years	7.81	7.55	6.94	6.58	6.67	6.90	6.92	6.84	6.86	6.93	6.93	6.98
24	Over 10 years (long-term)	6.99	6.98	6.78	6.99	6.97	7.00	6.94	6.90	6.90	6.94	6.95	6.97
	State and local:												
	Moody's series: [11]												
25	Aaa	5.89	6.42	5.66	5.21	5.21	5.28	5.27	5.27	5.24	5.28	5.27	5.27
26	Baa	6.53	7.62	7.49	6.05	6.00	5.95	5.83	5.85	5.82	5.83	5.82	5.83
27	*Bond Buyer* series [12]	6.17	7.05	6.64	5.62	5.63	5.62	5.51	5.54	5.48	5.51	5.50	5.51
	Corporate bonds												
	Seasoned issues [13]												
28	All industries	9.03	9.57	9.01	8.38	8.33	8.34	8.31	8.31	8.30	8.29	8.30	8.34
	By rating groups:												
29	Aaa	8.57	8.83	8.43	7.95	7.94	7.98	7.92	7.92	7.90	7.89	7.92	7.96
30	Aa	8.84	9.17	8.75	8.19	8.12	8.17	8.15	8.14	8.14	8.14	8.15	8.18
31	A	9.20	9.65	9.09	8.46	8.40	8.40	8.37	8.39	8.38	8.35	8.36	8.39
32	Baa	9.50	10.61	9.75	8.91	8.87	8.82	8.80	8.80	8.78	8.79	8.79	8.82
	Aaa utility bonds: [14]												
33	New issue	9.33	9.40	8.48	r8.08	8.14	8.04	8.07	7.97	8.02	8.08	8.08	8.14
34	Recently offered issues	9.34	9.41	8.49	8.12	8.12	8.05	8.07	8.02	8.03	8.07	8.09	8.12
	Dividend/price ratio												
35	Preferred stocks	8.23	8.38	7.97	7.62	7.51	7.55	7.58	7.60	7.68	7.51	7.57	7.56
36	Common stocks	4.47	4.31	3.77	4.60	4.59	4.72	4.82	r4.78	4.72	4.80	4.88	4.57

1 Averages of the most representative daily offering rates quoted by dealers.

2 Averages of the most representative daily offering rates published by finance companies for varying maturities in this range.

3 Beginning Aug. 15, 1974, the rate is the average of the midpoint of the range of daily dealer closing rates offered for domestic issues; prior data are averages of the most representative daily offering rate quoted by dealers.

4 Weekly figures are 7-day averages of daily effective rates for the week ending Wednesday; the daily effective rate is an average of the rates on a given day weighted by the volume of transactions at these rates.

5 Weekly figures are 7-day averages of the daily midpoints as determined from the range of offering rates; monthly figures are averages of total days in the month.

6 Posted rates, which are the annual interest rates most often quoted on new offerings of negotiable CD's in denominations of $100,000 or more. Rates prior to 1976 not available. Weekly figures are for Wednesday dates.

7 Averages of daily quotations for the week ending Wednesday.

8 Except for new bill issues, yields are computed from daily closing bid prices. Yields for all bills are quoted on a bank-discount basis.

9 Unweighted averages for all outstanding notes and bonds in maturity ranges shown, based on daily closing bid prices. "Long-term" includes all bonds neither due nor callable in less than 10 years.

10 Yields on the more actively traded issues adjusted to constant maturities by the U.S. Treasury, based on daily closing bid prices.

11 General obligations only, based on figures for Thursday, from Moody's Investors Service.

12 Twenty issues of mixed quality.

13 Averages of daily figures from Moody's Investors Service.

14 Compilation of the Board of Governors of the Federal Reserve System.

Issues included are long-term (20 years or more). New-issue yields are based on quotations on date of offering; those on recently offered issues (included only for first 4 weeks after termination of underwriter price restrictions), on Friday close-of-business quotations.

1.37 STOCK MARKET Selected Statistics

	Indicator	1974	1975	1976	1977 Mar.	Apr.	May	June	July	Aug.	Sept.
		Prices and trading (averages of daily figures)									
	Common stock prices										
1	**New York Stock Exchange (Dec. 31, 1965 = 50)**	**43.84**	**45.73**	**54.45**	**54.67**	**53.92**	**53.96**	**54.31**	**54.94**	**53.51**	**52.66**
2	Industrial	48.08	51.88	60.44	59.56	58.47	58.13	58.44	58.90	57.30	56.41
3	Transportation	31.89	30.73	39.57	40.52	41.51	43.25	43.29	43.52	41.04	39.99
4	Utility	29.82	31.45	36.97	40.18	40.24	41.14	41.59	42.44	41.50	40.93
5	Finance	49.67	46.62	52.94	54.84	54.30	54.80	55.15	57.29	56.52	55.33
6	**Standard & Poor's Corporation (1941-43 = 10)[1]**	**82.85**	**85.17**	**102.01**	**100.57**	**99.05**	**98.76**	**99.29**	**100.19**	**97.75**	**96.23**
7	**American Stock Exchange (Aug. 31, 1973 = 100)**	**79.97**	**83.15**	**101.63**	**111.77**	**111.70**	**113.72**	**116.28**	**122.03**	**119.33**	**118.08**
	Volume of trading (thousands of shares)[2]										
8	New York Stock Exchange	13,883	18,568	21,189	18,900	21,214	20,277	22,007	23,656	18,831	18,270
9	American Stock Exchange	1,908	2,150	2,565	2,580	2,500	2,440	2,720	2,880	2,140	2,080
		Customer financing (end-of-period balances, in millions of dollars)									
10	**Regulated margin credit at brokers/dealers and banks[3]**	**4,836**	**6,500**	**9,011**	**9,701**	**9,885**	**10,068**	**10,255**	**10,490**	**10,592**	....
11	*Brokers, total*	*3,980*	*5,540*	*8,166*	*8,891*	*9,078*	*9,267*	*9,432*	*9,667*	*9,763*	....
12	Margin stock[4]	3,840	5,390	7,960	8,690	8,880	9,070	9,230	9,460	9,560	....
13	Convertible bonds	137	147	204	199	196	196	198	204	196	....
14	Subscription issues	3	3	2	2	2	1	4	3	7	....
15	*Banks, total*	*856*	*960*	*845*	*810*	*807*	*801*	*823*	*823*	*829*	....
16	Margin stocks	815	909	800	767	764	761	779	780	787	....
17	Convertible bonds	30	36	30	25	25	25	25	24	23	....
18	Subscription issues	11	15	15	18	18	15	19	19	19	....
19	**Unregulated nonmargin stock credit at banks[5]**	**2,064**	**2,281**	**2,817**	**2,312**	**2,350**	**2,345**	**2,403**	**2,419**	**2,438**	....
	MEMO: Free credit balances at brokers[6]										
20	Margin-account	410	475	585	605	615	625	595	600	605	....
21	Cash-account	1,425	1,525	1,855	1,720	1,715	1,710	1,805	1,860	1,745	....
		Margin-account debt at brokers (percentage distribution, end of period)									
22	**Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	....
	By equity class (in per cent):[7]										
23	Under 40	45.4	24.0	12.0	16.5	16.5	17.8	12.9	16.2	17.4	....
24	40–49	23.0	28.8	23.0	36.8	34.1	35.6	27.0	32.9	32.0	....
25	50–59	13.9	22.3	35.0	23.2	25.4	23.0	33.0	26.4	27.0	....
26	60–69	8.8	11.6	15.0	11.6	11.8	11.0	13.3	12.0	12.0	....
27	70–79	4.6	6.9	8.7	6.7	6.8	7.0	8.0	7.0	7.0	....
28	80 or more	4.3	5.3	6.0	5.3	5.4	5.0	5.8	5.5	5.0	....
		Special miscellaneous-account balances at brokers (end of period)									
29	Total balances (millions of dollars)[8]	7,010	7,290	8,776	9,350	9,300	9,360	9,470	9,730	9,660	....
	Distribution by equity status (per cent)										
30	Net credit status	41.1	43.8	41.3	42.3	41.4	41.0	41.0	40.9	41.1	....
	Debit status, equity of-										
31	60 per cent or more	32.4	40.8	47.8	46.0	46.3	46.3	47.8	47.1	46.2	....
32	Less than 60 per cent	26.5	15.4	10.9	11.7	12.4	12.6	11.2	12.0	12.4	....

1 Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2 Based on trading for a 5½-hour day.

3 Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended by brokers is end-of-month data for member firms of the New York Stock Exchange; June data for banks are universe totals; all other data for banks are estimates for all commercial banks based on data from a sample of reporting banks.

In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.

4 A distribution of this total by equity class is shown below.

5 Nonmargin stocks are those not listed on a national securities exchange and not included on the Federal Reserve System's list of over-the-counter margin stocks. At banks, loans to purchase or carry nonmargin stocks are unregulated; at brokers, such stocks have no loan value.

6 Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.

7 Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.

8 Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.

NOTE.—For table on "Margin Requirements" see p. A-10, Table 1.161.

1.38 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1974	1975	1976	1976 Dec.	1977 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
					Savings and loan associations							
1 **Assets**	**295,545**	**338,233**	**391,999**	**391,999**	**398,299**	**403,591**	**409,357**	**414,436**	**421,865**	**427,041**	**433,828**	**440,172**
2 Mortgages	249,301	278,590	323,130	323,130	326,056	329,086	333,703	338,984	344,631	350,765	r355,991	361,710
3 Cash and investment securities[1]	23,251	30,853	35,660	35,660	38,252	39,505	39,656	39,061	40,461	39,626	r40,990	40,982
4 Other	22,993	28,790	33,209	33,209	33,991	35,000	35,998	36,391	36,773	36,650	r36,847	37,480
5 **Liabilities and net worth**	**295,545**	**338,233**	**391,999**	**391,999**	**398,299**	**403,591**	**409,357**	**414,436**	**421,865**	**427,041**	**433,828**	**440,172**
6 Savings capital	242,974	285,743	336,030	336,030	341,211	344,616	352,194	354,318	357,965	364,349	r368,513	371,380
7 *Borrowed money*	*24,780*	*20,634*	*19,087*	*19,087*	*18,455*	*18,256*	*18,283*	*18,880*	*19,804*	*20,558*	*r20,964*	*22,018*
8 FHLBB	21,508	17,524	15,708	15,708	15,029	14,661	14,325	14,809	15,000	15,595	r15,724	16,250
9 Other	3,272	3,110	3,379	3,379	3,426	3,595	3,958	4,071	4,804	4,963	r5,240	5,768
10 Loans in process	3,244	5,128	6,836	6,836	6,718	6,783	7,351	7,899	8,505	9,123	r9,332	9,648
11 Other	6,105	6,949	8,015	8,015	9,667	11,418	8,833	10,360	12,287	9,515	r11,220	12,975
12 Net worth[2]	18,442	19,779	22,031	22,031	22,248	22,518	22,696	22,979	23,304	23,496	23,799	24,151
13 MEMO: Mortgage loan commitments outstanding[3]	7,454	10,673	14,828	14,828	15,079	16,796	19,304	21,242	22,274	22,037	r21,911	21,892
					Mutual savings banks							
14 **Assets**	**109,550**	**121,056**	**134,812**	**134,812**	**135,906**	**137,307**	**138,901**	**139,496**	**140,593**	**141,657**	**142,915**	...
Loans:												
15 Mortgage	74,891	77,221	81,630	81,630	81,826	81,982	82,273	82,687	83,075	83,937	84,584	...
16 Other	3,812	4,023	5,183	5,183	5,956	6,254	6,389	6,050	6,650	6,818	7,103	...
Securities:												
17 U.S. Govt.	2,555	4,740	5,840	5,840	5,917	6,096	6,360	6,323	6,248	6,135	6,131	...
18 State and local government	930	1,545	2,417	2,417	2,295	2,366	2,431	2,504	2,539	2,546	2,596	...
19 Corporate and other[4]	22,550	27,992	33,793	33,793	34,475	35,088	35,928	36,322	36,455	36,420	36,742	...
20 Cash	2,167	2,330	2,355	2,355	1,800	1,835	1,823	1,900	1,922	2,083	2,013	...
21 Other assets	2,645	3,205	3,593	3,593	3,637	3,686	3,668	3,709	3,703	3,719	3,745	...
22 **Liabilities**	**109,550**	**121,056**	**134,812**	**134,812**	**135,906**	**137,307**	**138,901**	**139,496**	**140,593**	**141,657**	**142,915**	...
23 *Deposits*	*98,701*	*109,873*	*122,877*	*122,877*	*123,864*	*124,728*	*126,687*	*126,938*	*127,791*	*129,200*	*130,000*	...
24 Regular:[5]	98,221	109,291	121,961	121,961	122,874	123,721	125,624	125,731	126,587	127,955	128,632	...
25 Ordinary savings	64,286	69,653	74,535	74,535	74,621	75,038	76,260	76,336	76,384	76,976	77,012	...
26 Time and other	33,935	39,639	47,426	47,426	48,253	48,683	49,364	49,395	50,203	50,979	51,620	...
27 Other	480	582	916	916	989	1,007	1,063	1,207	1,204	1,245	1,368	...
28 Other liabilities	2,888	2,755	2,884	2,884	2,940	3,368	2,939	3,230	3,381	2,955	3,373	...
29 General reserve accounts	7,961	8,428	9,052	9,052	9,102	9,211	9,275	9,329	9,422	9,502	9,541	...
30 MEMO: Mortgage loan commitments outstanding[6]	2,040	1,803	2,439	2,439	2,584	2,840	3,161	3,287	3,521	4,079	4,049	...
					Life insurance companies							
31 **Assets**	**263,349**	**289,304**	**321,552**	**321,552**	**323,407**	**325,094**	**326,753**	**328,786**	**331,028**	**334,386**	**336,651**	...
Securities:												
32 *Government*	*10,900*	*13,758*	*17,942*	*17,942*	*18,198*	*18,443*	*18,470*	*18,500*	*18,475*	*18,579*	*18,916*	...
33 United States[7]	3,372	4,736	5,368	5,368	5,537	5,592	5,546	5,544	5,396	5,400	5,628	...
34 State and local	3,667	4,508	5,594	5,594	5,657	5,709	5,732	5,758	5,797	5,813	5,847	...
35 Foreign[8]	3,861	4,514	6,980	6,980	7,004	7,142	7,192	7,198	7,282	7,366	7,441	...
36 *Business*	*119,637*	*135,317*	*157,246*	*157,246*	*159,213*	*160,463*	*161,214*	*162,816*	*164,126*	*166,859*	*168,498*	...
37 Bonds	97,717	107,256	122,984	122,984	125,910	127,603	128,596	130,057	131,568	133,497	135,262	...
38 Stocks	21,920	28,061	34,262	34,262	33,303	32,860	32,618	32,759	32,558	33,362	33,236	...
39 Mortgages	86,234	89,167	91,552	91,552	91,566	91,585	91,786	92,200	92,358	92,854	93,106	...
40 Real estate	8,331	9,621	10,476	10,476	10,556	10,629	10,738	10,802	10,822	10,897	10,901	...
41 Policy loans	22,862	24,467	25,834	25,834	25,911	26,034	26,207	26,364	26,500	26,657	26,780	...
42 Other assets	15,385	16,971	18,502	18,502	17,963	17,940	18,338	18,104	18,747	18,540	18,450	...
					Credit unions							
43 **Total assets/liabilities and capital**	**31,948**	**38,037**	**44,897**	**44,835**	**44,906**	**45,798**	**47,111**	**47,348**	**48,322**	**49,479**	**49,501**	**50,123**
44 Federal	16,715	20,209	24,164	24,164	24,188	24,756	25,596	25,697	26,259	27,017	26,951	27,304
45 State	15,233	17,828	20,733	20,671	20,718	21,042	21,515	21,651	22,063	22,462	22,550	22,819
46 *Loans outstanding*	*24,432*	*28,169*	*34,033*	*34,293*	*34,188*	*34,549*	*35,411*	*36,019*	*36,936*	*38,134*	*38,597*	*39,613*
47 Federal	12,730	14,869	18,022	18,202	18,081	18,275	18,776	19,050	19,583	20,303	20,456	21,036
48 State	11,702	13,300	16,011	16,091	16,107	16,274	16,635	16,969	17,353	17,831	18,141	18,577
49 *Savings*	*27,518*	*33,013*	*39,264*	*38,968*	*39,344*	*39,981*	*41,161*	*41,394*	*42,125*	*43,196*	*43,294*	*43,575*
50 Federal (shares)	14,370	17,530	21,149	20,980	21,165	21,559	22,346	22,524	22,955	23,608	23,661	23,882
51 State (shares and deposits)	13,148	15,483	18,115	17,988	18,179	18,442	18,815	18,870	19,170	19,588	19,633	19,693

For notes see bottom of page A30.

1.39 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

	Type of account or operation	Fiscal year 1975	Fiscal year 1976	Transition quarter (July–Sept. 1976)	Calendar year 1976 H1	Calendar year 1976 H2	Calendar year 1977 H1	1977 June	1977 July	1977 Aug.
	U.S. Budget									
1	Receipts [1]	280,997	299,197	81,686	159,742	157,868	189,410	43,075	24,952	29,676
2	Outlays [1,2,3]	326,105	365,658	94,659	180,559	193,626	199,482	32,881	33,630	34,720
3	*Surplus, or deficit* (−)	*−45,108*	*−66,461*	*−12,973*	*−20,816*	*−35,758*	*−10,072*	*10,194*	*−8,678*	*−5,044*
4	Trust funds	7,419	2,409	−1,952	5,503	−4,621	7,332	1,829	3,348	2,384
5	Federal funds [4]	−52,526	−68,870	−11,021	−26,320	−31,137	−17,405	8,365	−5,330	−7,429
	Off-budget entities surplus, or deficit (−)									
6	Federal Financing Bank outlays	−6,389	−5,915	−2,575	−3,222	−5,176	−2,075	−45	−1,606	−1,241
7	Other [2,5]	−1,652	−1,355	793	−1,119	3,809	−2,086	−262	−122	−290
	U.S. Budget plus off-budget, including Federal Financing Bank									
8	*Surplus, or deficit* (−)	*−53,149*	*−73,731*	*−14,755*	*−25,158*	*−37,125*	*−14,233*	*9,888*	*−10,406*	*−6,575*
	Financed by:									
9	Borrowing from the public [3]	50,867	82,922	18,027	33,561	35,457	16,480	518	1,803	7,780
10	Cash and monetary assets (decrease, or increase (−))	−320	−7,796	−2,899	−7,909	2,153	−4,666	−9,345	6,730	2,740
11	Other [6]	2,602	−1,396	−373	−495	−485	2,420	−1,061	1,874	−3,944
	MEMO ITEMS:									
12	**Treasury operating balance (level, end of period)**	**7,591**	**14,836**	**17,418**	**14,836**	**11,670**	**77,311**	**16,255**	**10,154**	**7,063**
13	F.R. Banks	5,773	11,975	13,299	11,975	10,393	65,372	15,183	8,789	6,115
14	Tax and loan accounts	1,475	2,854	4,119	2,854	1,277	11,940	1,072	1,365	948
15	Other demand accounts [7]	343	7	....	7	....	....	....	....	....

1 Effective June 1977, earned income credit payments in excess of an individual's tax liability, formerly treated as outlays, are classified as income tax refunds retroactive to January 1976.

2 Outlay totals reflect the reclassification of the Export-Import Bank from off-budget status to unified budget status.

3 Export-Import Bank certificates of beneficial interest (effective July 1, 1975) and loans to the Private Export Funding Corp. (PEFCO), a wholly owned subsidiary of the Export-Import Bank are treated as debt rather than asset sales.

4 Half years calculated as a residual of total surplus/deficit and trust fund surplus/deficit.

5 Includes Pension Benefit Guaranty Corp., Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, and Housing for the Elderly or Handicapped Fund.

6 Includes: Public debt accrued interest payable to the public; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seignorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment.

7 Excludes the gold balance but includes deposits in certain commercial depositories that have been converted from a time deposit to a demand deposit basis to permit greater flexibility in Treasury cash management.

SOURCE.—"Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and *U.S. Budget, Fiscal Year 1978*.

NOTES TO TABLE 1.38

1 Holdings of stock of the Federal home loan banks are included in "other assets."

2 Includes net undistributed income, which is accrued by most, but not all, associations.

3 Excludes figures for loans in process, which are shown as a liability.

4 Includes securities of foreign governments and international organizations and nonguaranteed issues of U.S. Govt. agencies.

5 Excludes checking, club, and school accounts.

6 Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Assn. of the State of New York.

7 Direct and guaranteed obligations. Excludes Federal agency issues not guaranteed, which are shown in this table under "business" securities.

8 Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE.—*Savings and loan associations:* Estimates by the FHLBB for all associations in the United States. Data are based on monthly reports of Federally insured associations and annual reports of other associations. Even when revised, data for current and preceding year are subject to further revision.

Mutual savings banks: Estimates of National Association of Mutual Savings Banks for all savings banks in the United States. Data are reported on a gross-of-valuation-reserves basis.

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

Credit unions: Estimates by the National Credit Union Administration for a group of Federal and State-chartered credit unions that account for about 30 per cent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

1.40 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

	Source or type	Fiscal year 1975	Fiscal year 1976	Transition quarter (July-Sept. 1976)	Calendar year 1976 H1	Calendar year 1976 H2	Calendar year 1977 H1	1977 June	1977 July	1977 Aug.
					Receipts					
1	**All sources [1]**	**280,997**	**300,005**	**81,773**	**160,552**	**157,961**	**190,238**	**43,075**	**24,952**	**29,676**
2	*Individual income taxes, net*	*122,386*	*131,603*	*38,801*	*65,767*	*75,094*	*78,775*	*17,949*	*12,438*	*12,725*
3	Withheld	122,071	123,408	32,949	63,859	68,023	73,303	12,175	12,240	12,429
4	Presidential Election Campaign Fund	32	34	1	33	1	28	4	....	....
5	Nonwithheld	34,296	35,528	6,809	27,879	8,426	32,967	6,272	923	660
6	Refunds [1]	34,013	27,367	958	26,004	1,356	27,521	501	726	364
7	*Corporation income taxes:*									
8	Gross receipts	45,747	46,783	9,808	27,973	20,706	37,133	14,758	1,968	1,288
9	Refunds	5,125	5,374	1,348	2,639	2,886	2,324	379	430	479
10	*Social insurance taxes and contributions, net*	*86,441*	*92,714*	*25,760*	*51,828*	*47,596*	*58,098*	*7,696*	*7,961*	*12,958*
11	Payroll employment taxes and contributions [2]	71,789	76,391	21,534	40,947	40,427	45,241	6,709	6,725	10,347
12	Self-employment taxes and contributions [3]	3,417	3,518	269	3,250	286	3,688	335	....	....
13	Unemployment insurance	6,771	8,054	2,698	5,193	4,379	6,576	228	800	2,161
14	Other net receipts [4]	4,466	4,752	1,259	2,438	2,504	2,594	424	437	450
15	Excise taxes	16,551	16,963	4,473	8,204	8,910	8,431	1,530	1,567	1,523
16	Customs	3,676	4,074	1,212	2,147	2,361	2,518	504	446	543
17	Estate and gift	4,611	5,216	1,455	2,643	2,943	4,333	437	505	547
18	Miscellaneous receipts [5]	6,711	8,026	1,612	4,630	3,236	3,269	581	498	572
					Outlays					
19	**All types [1, 6]**	**326,105**	**366,466**	**94,746**	**181,369**	**193,719**	**200.310**	**32,881**	**33,630**	**34,720**
20	National defense	86,585	89,996	22,518	44,052	45,002	48,721	8,404	8,004	8.412
21	International affairs [6]	5.862	5,067	1,997	2,668	3,028	2,522	439	463	497
22	General science, space, and technology	3.989	4.370	1,161	1,708	2,377	2,108	362	357	420
23	Natural resources, environment, and energy	9,537	11,282	3,324	6,900	7,206	6,855	1,421	1,266	1.404
24	Agriculture	1,660	2,502	584	417	2,019	2,628	256	334	740
25	Commerce and transportation	16,010	17,248	4.700	5,766	9,643	5,945	1,419	978	988
26	Community and regional development	4,431	5,300	1,530	2,411	3,192	3,149	670	627	875
27	Education, training, employment, and social services	15.248	18,167	5.013	9,116	9,083	9,775	1,772	1,656	1,970
28	Health	27,647	33,448	8,720	17,008	19,329	18,654	3,398	3,115	3,469
29	Income security [1]	108,605	127,406	32,796	65,336	65,456	70,745	11,129	11,590	11.598
30	Veterans benefits and services	16.597	18,432	3.962	9,450	8,542	9,382	1,225	1,338	1,430
31	Law enforcement and justice	2,942	3.320	859	1,784	1,839	1,783	316	291	269
32	General government	3,089	2,927	878	870	1,734	1,587	324	198	347
33	Revenue sharing and general purpose fiscal assistance	7,005	7,119	2,024	3,664	4,729	4,333	47	2,257	44
34	Interest [7]	30,974	34,589	7,246	18,560	18,409	18,927	5,908	2,494	2.844
35	Undistributed offsetting receipts [7, 8]	−14,075	−14,704	−2,567	−8,340	−7,869	−6,803	−4,211	−1,338	−587

1 Effective June 1977, earned income credit payments in excess of an individual's tax liability, formerly treated as outlays, are classified as income tax refunds retroactive to January 1976.

2 Old-age, disability and hospital insurance, and Railroad Retirement accounts.

3 Old-age, disability, and hospital insurance.

4 Supplementary medical insurance premiums, Federal employee retirement contributions, and Civil Service retirement and disability fund.

5 Deposits of earnings by F.R. Banks and other miscellaneous receipts.

6 Outlay totals reflect the reclassification of the Export-Import Bank from off-budget status to unified budget status. Export-Import Bank certificates of beneficial interest (effective July 1, 1975) and loans to the Private Export Funding Corp. (PEFCO), a wholly owned subsidiary of the Export-Import Bank, are treated as debt rather than asset sales.

7 Effective September 1976, "Interest" and "Undistributed Offsetting Receipts" reflect the accounting conversion for the interest on special issues for U.S. Govt. accounts from an accrual basis to a cash basis.

8 Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. Govt. contributions for employee retirement.

1.41 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1974 June 30	1974 Dec. 31	1975 June 30	1975 Dec. 31	1976 June 30	1976 Sept. 30	1976 Dec. 31	1977 Mar. 31	1977 June 30
1 **Federal debt outstanding**	**486.2**	**504.0**	**544.1**	**587.6**	**631.9**	**[2] 646.4**	**665.5**	**680.1**	**685.2**
2 *Public debt securities*	*474.2*	*492.7*	*533.7*	*576.6*	*620.4*	*634.7*	*653.5*	*669.2*	*674.4*
3 Held by public	336.0	351.5	387.9	437.3	470.8	488.6	506.4	524.3	523.2
4 Held by agencies	138.2	141.2	145.3	139.3	149.6	146.1	147.1	144.9	151.2
5 *Agency securities*	*12.0*	*11.3*	*10.9*	*10.9*	*11.5*	*11.6*	*12.0*	*10.9*	*10.8*
6 Held by public	10.0	9.3	9.0	8.9	9.5	[2] 9.7	10.0	9.1	9.0
7 Held by agencies	2.0	2.0	1.9	2.0	2.0	1.9	1.9	1.8	1.8
8 **Debt subject to statutory limit**	**476.0**	**493.0**	**534.2**	**577.8**	**621.6**	**635.8**	**654.7**	**670.3**	**675.6**
9 Public debt securities	473.6	490.5	532.6	576.0	619.8	634.1	652.9	668.6	673.8
10 Other debt[1]	2.4	2.4	1.6	1.7	1.7	1.7	1.7	1.7	1.7
11 MEMO: Statutory debt limit	495.0	495.0	577.0	595.0	636.0	636.0	682.0	682.0	700.0

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

2 Gross Federal debt and Agency debt held by the public increased $0.5 billion due to a retroactive reclassification of the Export-Import Bank certificates of beneficial interest from loan asset sales to debt, effective July 1, 1975.

NOTE.—Data from *Treasury Bulletin* (U.S. Treasury Dept.).

1.42 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1973	1974	1975	1976	1977 May	1977 June	1977 July	1977 Aug.	1977 Sept.
1 **Total gross public debt**[1]	**469.9**	**492.7**	**576.6**	**653.5**	**672.1**	**674.4**	**673.9**	**685.2**	**698.8**
By type:									
2 **Interest-bearing debt**	**467.8**	**491.6**	**575.7**	**652.5**	**671.0**	**673.4**	**671.4**	**684.1**	**697.6**
3 *Marketable*	*270.2*	*282.9*	*363.2*	*421.3*	*431.5*	*431.1*	*430.2*	*438.1*	*443.5*
4 Bills	107.8	119.7	157.5	164.0	157.9	155.1	154.2	154.3	156.1
5 Notes	124.6	129.8	167.1	216.7	230.2	232.9	231.4	238.1	241.7
6 Bonds	37.8	33.4	38.6	40.6	43.3	43.2	44.7	45.8	45.7
7 *Nonmarketable*[2]	*197.6*	*208.7*	*212.5*	*231.2*	*239.5*	*242.2*	*241.1*	*245.9*	*254.1*
8 Convertible bonds[3]	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
9 Foreign issues[4]	26.0	22.8	21.6	22.3	21.8	21.7	21.5	21.4	21.8
10 Savings bonds and notes	60.8	63.8	67.9	72.3	74.3	74.7	75.2	75.5	75.8
11 Govt. account series[5]	108.0	119.1	119.4	129.7	133.0	134.8	132.4	136.3	140.1
By holder:[6]									
12 U.S. Govt. agencies and trust funds	129.6	141.2	139.3	147.1	149.4	151.2	148.7	....	....
13 F.R. Banks	78.5	80.5	87.9	97.0	97.4	102.2	98.6	....	....
14 **Private investors**	**261.7**	**271.0**	**349.4**	**409.5**	**425.3**	**421.0**	**426.5**	....	....
15 Commercial banks	60.3	55.6	85.1	103.8	102.2	r102.4	100.1	....	....
16 Mutual savings banks	2.9	2.5	4.5	5.7	6.1	6.0	6.0	....	....
17 Insurance companies	6.4	6.1	9.3	12.5	12.9	14.2	14.1	....	....
18 Other corporations	10.9	11.0	20.2	26.5	25.8	23.8	23.5	....	....
19 State and local governments	29.2	29.2	33.8	41.6	49.1	r47.8	47.8	....	....
Individuals:									
20 Savings bonds	60.3	63.4	67.3	72.0	r74.1	r74.4	74.9	....	....
21 Other securities	16.9	21.5	24.0	28.8	r28.6	r28.6	28.4	....	....
22 Foreign and international[7]	55.5	58.4	66.5	78.1	86.0	r87.9	90.2	....	....
23 Other miscellaneous investors[8]	19.3	23.2	38.6	r40.5	r40.7	36.0	41.5	....	....

1 Includes $1.2 billion of non-interest-bearing debt (of which $700 million on Sept. 30, 1977, was not subject to statutory debt limitations).

2 Includes (not shown separately): Securities issued to the Rural Electrification Administration and to State and local governments, depositary bonds, retirement plan bonds, and individual retirement bonds.

3 These *nonmarketable* bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ per cent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category above.

4 Nonmarketable foreign government dollar-denominated and foreign currency denominated series.

5 Held only by U.S. Govt. agencies and trust funds.

6 Data for F.R. Banks and U.S. Govt. agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

7 Consists of the investments of foreign balances and international accounts in the United States. Beginning with July 1974, the figures exclude non-interest-bearing notes issued to the International Monetary Fund.

8 Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain Govt. deposit accounts, and Govt.-sponsored agencies.

NOTE.—Gross public debt excludes guaranteed agency securities and, beginning in July 1974, includes Federal Financing Bank security issues.

Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Dept.); data by holder from *Treasury Bulletin*.

1.43 U.S. GOVERNMENT MARKETABLE SECURITIES Ownership, by maturity

Par value; millions of dollars, end of period

Type of holder	1975	1976	1977 July	1977 Aug.	1975	1976	1977 July	1977 Aug.
	All maturities				1 to 5 years			
1 **All holders**	**363,191**	**421,276**	**430,248**	**438,146**	**112,270**	**141,132**	**141,650**	**144,790**
2 U.S. Govt. agencies and trust funds	19,397	16,485	15,425	14,709	7,058	6,141	5,951	5,948
3 F. R. Banks	87,934	96,971	98,646	98,436	30,518	31,249	30,443	28,161
4 *Private investors*	*255,860*	*307,820*	*316,357*	*355,001*	*74,694*	*103,742*	*105,256*	*110,681*
5 Commercial banks	64,398	78,262	75,749	74,227	29,629	40,005	39,389	38,945
6 Mutual savings banks	3,300	4,072	4,382	4,402	1,524	2,010	2,109	2,136
7 Insurance companies	7,565	10,284	11,196	11,177	2,359	3,885	4,358	4,253
8 Nonfinancial corporations	9,365	14,193	11,835	12,349	1,967	2,618	3,142	2,811
9 Savings and loan associations	2,793	4,576	5,069	5,294	1,558	2,360	2,648	2,764
10 State and local governments	9,285	12,252	14,064	17,219	1,761	2,543	3,794	4,271
11 All others	159,154	184,182	193,882	200,333	35,894	50,321	49,816	55,501
	Total, within 1 year				5 to 10 years			
12 **All holders**	**199,692**	**211,035**	**212,457**	**216,141**	**26,436**	**43,045**	**141,650**	**45,879**
13 U.S. Govt. agencies and trust funds	2,769	2,012	1,811	1,024	3,283	2,879	2,139	2,139
14 F. R. Banks	46,845	51,569	50,314	53,185	6,463	9,148	11,285	10,479
15 *Private investors*	*150,078*	*157,454*	*160,332*	*161,932*	*16,690*	*31,018*	*32,521*	*33,261*
16 Commercial banks	29,875	31,213	28,932	27,789	4,071	6,278	6,514	6,607
17 Mutual savings banks	983	1,214	1,297	1,310	448	567	662	641
18 Insurance companies	2,024	2,191	1,750	1,975	1,592	2,546	2,999	2,952
19 Nonfinancial corporations	7,105	11,009	8,186	9,050	175	370	310	287
20 Savings and loan associations	914	1,984	2,199	2,298	216	155	145	147
21 State and local governments	5,288	6,622	7,190	9,381	782	1,465	1,291	1,256
22 All others	103,889	103,220	110,777	110,129	9,405	19,637	20,600	21,370
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**157,483**	**163,992**	**154,227**	**154,283**	**14,264**	**11,865**	**13,076**	**13,037**
24 U.S. Govt. agencies and trust funds	207	449	270	270	4,233	3,102	3,102	3,102
25 F. R. Banks	38,018	41,279	39,700	40,440	1,507	1,363	1,534	1,423
26 *Private investors*	*119,258*	*122,264*	*114,257*	*113,573*	*8,524*	*7,400*	*8,440*	*8,512*
27 Commercial banks	17,481	17,303	10,883	9,546	552	339	585	545
28 Mutual savings banks	554	454	428	397	232	139	150	151
29 Insurance companies	1,513	1,463	773	964	1,154	1,114	1,255	1,305
30 Nonfinancial corporations	5,829	9,939	6,449	6,962	61	142	149	131
31 Savings and loan associations	518	1,266	1,090	1,148	82	64	63	70
32 State and local governments	4,566	5,556	5,645	7,751	896	718	620	842
33 All others	88,797	86,282	88,989	86,806	5,546	4,884	5,618	5,468
	Other, within 1 year				Over 20 years			
34 **All holders**	**42,209**	**47,043**	**58,230**	**61,858**	**10,530**	**14,200**	**17,119**	**18,299**
35 U.S. Govt. agencies and trust funds	2,562	1,563	1,541	754	2,053	2,350	2,421	2,495
36 F. R. Banks	8,827	10,290	10,614	12,745	2,601	3,642	5,070	5,188
37 *Private investors*	*30,820*	*35,190*	*46,075*	*48,359*	*5,876*	*8,208*	*9,628*	*10,616*
38 Commercial banks	12,394	13,910	18,049	18,243	271	427	329	340
39 Mutual savings banks	429	760	869	913	112	143	163	164
40 Insurance companies	511	728	977	1,011	436	548	835	692
41 Nonfinancial corporations	1,276	1,070	1,737	2,088	57	55	48	70
42 Savings and loan associations	396	718	1,109	1,150	22	13	13	16
43 State and local governments	722	1,066	1,545	1,630	558	904	1,169	1,468
44 All others	15,092	16,938	21,788	23,323	4,420	6,120	7,071	7,865

NOTE.—Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Dept.).

Data complete for U.S. Govt. agencies and trust funds and F.R. Banks, but data for other groups include only holdings of those institutions that report. The following figures show, for each category, the number and proportion reporting as of Aug. 31, 1977; (1) 5,490 commercial banks, 467 mutual savings banks, and 727 insurance companies, each about 90 per cent; (2) 441 nonfinancial corporations and 486 savings and loan assns., each about 50 per cent; and (3) 496 State and local govts., about 40 per cent.

"All others," a residual, includes holdings of all those not reporting in the Treasury Survey, including investor groups not listed separately.

1.44 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

Item	1974	1975	1976	1977 June	1977 July	1977 Aug.[r]	1977, week ending Wednesday— Aug. 17[r]	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21
1 **U.S. Govt. securities**	**3,579**	**6,027**	**10,449**	**8,683**	**9,078**	**10,288**	**10,217**	**9,961**	**10,225**	**9,118**	**10,417**	**9,665**
By maturity:												
2 Bills	2,550	3,889	6,676	5,021	5,905	6,208	6,725	6,310	5,559	5,231	6,724	6,928
3 Other within 1 year	250	223	210	215	194	339	343	331	348	180	169	210
4 1–5 years	465	1,414	2,317	2,059	1,790	2,216	1,900	1,993	2,567	2,535	2,266	1,491
5 5–10 years	256	363	1,019	952	752	1,079	931	913	1,170	823	895	686
6 Over 10 years	58	138	229	436	438	446	318	413	581	350	363	350
By type of customer:												
7 U.S. Govt. securities dealers	652	885	1,360	1,030	962	1,106	914	1,165	1,335	924	959	1,312
8 U.S. Govt. securities brokers	965	1,750	3,407	2,529	3,007	3,439	3,829	3,015	3,186	2,601	4,486	r3,171
9 Commercial banks	998	1,451	2,426	1,965	2,124	2,274	2,395	2,237	2,171	2,089	2,052	1,792
10 All others[1]	964	1,941	3,257	3,159	2,986	3,469	3,080	3,544	3,533	3,504	2,920	r3,390
11 **Federal agency securities**	**965**	**1,043**	**1,548**	**2,138**	**r1,543**	**1,863**	**1,499**	**2,627**	**2,307**	**1,570**	**1,691**	**1,633**

[1] Includes—among others—all other dealers and brokers in commodities and securities, foreign banking agencies, and the F.R. System.

NOTE.—Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. Govt. securities dealers reporting to the F.R. Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. Govt. securities, redemptions of called or matured securities, or purchases or sales of securities under repurchase, reverse repurchase (resale), or similar contracts.

1.45 U.S. GOVERNMENT SECURITIES DEALERS Positions and Sources of Financing

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

Item	1974	1975	1976	1977 June	1977 July	1977 Aug.	1977, week ending Wednesday— July 27[r]	Aug. 3	Aug. 10	Aug. 17	Aug. 24	Aug. 31
						Positions[2]						
1 **U.S. Govt. securities**	**2,580**	**5,884**	**7,592**	**5,757**	**4,724**	**r2,951**	**4,232**	**2,197**	**2,692**	**2,036**	**3,514**	**3,979**
2 Bills	1,932	4,297	6,290	5,538	5,034	3,883	4,866	3,462	3,186	3,481	4,745	4,358
3 Other within 1 year	−6	265	188	15	−7	−191	66	47	−175	177	−255	−230
4 1–5 years	265	886	515	82	−291	661	−361	−753	−616	−1,000	−848	−185
5 5–10 years	302	300	402	23	−192	r79	−254	−372	262	−233	−141	−17
6 Over 10 years	88	136	198	99	181	−1	47	−94	35	−35	13	53
7 **Federal agency securities**	**1,212**	**943**	**729**	**1,027**	**r776**	**r522**	**692**	**329**	**311**	**336**	**712**	**877**
						Sources of financing[3]						
8 **All sources**	**3,977**	**6,666**	**8,715**	**10,791**	**9,532**	**8,738**	**8,826**	**7,675**	**8,454**	**8,757**	**9,215**	**9,122**
Commercial banks:												
9 New York City	1,032	1,621	1,896	1,583	1,289	808	960	52	1,274	705	869	599
10 Outside New York City	1,064	1,466	1,660	2,179	1,574	1,824	1,456	1,374	1,635	1,705	2,289	1,889
11 Corporations[1]	459	842	1,479	2,769	2,307	2,347	2,403	2,276	2,060	2,259	2,557	2,626
12 All others	1,423	2,738	3,681	4,261	4,361	3,759	4,007	3,972	3,486	4,088	3,500	4,007

[1] All business corporations except commercial banks and insurance companies.

[2] Net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase. The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities purchased under agreements to resell.

[3] Total amounts outstanding of funds borrowed by nonbank dealer firms and dealer departments of commercial banks against U.S. Govt. and Federal agency securities (through both collateral loans and sales under agreements to repurchase), plus internal funds used by bank dealer departments to finance positions in such securities. Borrowings against securities held under agreement to resell are excluded where the borrowing contract and the agreement to resell are equal in amount and maturity, that is, a matched agreement.

NOTE.—Averages for positions are based on number of trading days in the period; those for financing, on the number of calendar days in the period.

1.46 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1973	1974	1975	1977					
				Feb.	Mar.	Apr.	May	June	July
1 **Federal and Federally sponsored agencies**	**71,594**	**89,381**	**97,680**	**102,961**	**103,673**	**105,579**	**105,823**	**107,152**	**108,243**
2 *Federal agencies*	*11,554*	*12,719*	*19,046*	*22,307*	*22,413*	*22,462*	*22,316*	*22,220*	*22,232*
3 Defense Department[1]	1,439	1,312	1,220	1,086	1,077	1,068	1,059	1,044	1,035
4 Export-Import Bank[2,3]	2,625	2,893	7,188	8,580	8,615	8,610	8,596	8,742	8,742
5 Federal Housing Administration[4]	415	440	564	581	592	598	594	588	583
6 Government National Mortgage Association participation certificates[5]	4,390	4,280	4,200	3,845	3,845	3,803	3,803	3,803	3,768
7 Postal Service[6]	250	721	1,750	2,998	2,998	2,998	2,856	2,431	2,431
8 Tennessee Valley Authority	2,435	3,070	3,915	5,005	5,070	5,155	5,175	5,370	5,410
9 United States Railway Association[6]	....	3	209	212	216	230	233	242	263
10 *Federally sponsored agencies*	*60,040*	*76,662*	*78,634*	*80,654*	*81,260*	*83,117*	*84,248*	*84,932*	*86,011*
11 Federal home loan banks	15,362	21,890	18,900	16,587	16,626	16,678	16,851	16,921	17,328
12 Federal Home Loan Mortgage Corporation	1,784	1,551	1,550	957	957	957	1,698	1,698	1,698
13 Federal National Mortgage Association	23,002	28,167	29,963	30,143	30,392	30,684	30,843	31,378	31,566
14 Federal land banks	10,062	12,653	15,000	17,304	17,304	18,137	18,137	18,137	18,719
15 Federal intermediate credit banks	6,932	8,589	9,254	10,556	10,670	10,990	11,174	11,418	11,654
16 Banks for cooperatives	2,695	3,589	3,655	4,695	4,899	5,254	5,113	4,948	4,604
17 Student Loan Marketing Association[7]	200	220	310	410	410	415	430	430	440
18 Other	3	3	2	2	2	2	2	2	2
MEMO ITEMS:									
19 **Federal Financing Bank debt[6,8]**	....	**4,474**	**17,154**	**30,328**	**31,312**	**30,823**	**31,007**	**30,820**	**32,443**
Lending to Federal and Federally sponsored agencies:									
20 Export-Import Bank[3]	....	....	4,595	5,237	5,273	5,273	5,273	5,420	5,420
21 Postal Service[6]	....	500	1,500	2,748	2,748	2,748	2,606	2,181	2,181
22 Student Loan Marketing Association[7]	....	220	310	410	410	415	430	430	440
23 Tennessee Valley Authority	....	895	1,840	3,180	3,245	3,330	3,350	3,545	3,585
24 United States Railway Association[6]	....	3	209	212	216	230	233	242	263
Other lending:[9]									
25 Farmers Home Administration	....	2,500	7,000	11,450	11,750	11,750	12,250	12,900	13,650
26 Rural Electrification Administration	....	....	566	1,584	1,677	1,806	1,864	2,042	2,105
27 Other	....	356	1,134	5,507	5,993	5,271	5,001	4,060	4,799

1 Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2 Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3 Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4 Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5 Certificates of participation issued prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6 Off-budget.
7 Unlike other Federally sponsored agencies, the Student Loan Marketing Association may borrow from the Federal Financing Bank (FFB) since its obligations are guaranteed by the Department of Health, Education, and Welfare.
8 The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other Federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
9 Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.47 NEW SECURITY ISSUES State and Local Government and Corporate

Millions of dollars

Type of issue or issuer, or use	1974	1975	1976	1977 Jan.	1977 Feb.	1977 Mar.	1977 Apr.	1977 May	1977 June
				State and local government					
1 **All issues, new and refunding** [1]	**24,315**	**30,607**	**35,313**	**3,429**	**3,150**	**4,140**	**3,566**	**4,308**	**5,347**
By type of issue:									
2 General obligation	13,563	16,020	18,040	1,867	1,624	1,812	1,701	2,032	2,265
3 Revenue	10,212	14,511	17,140	1,552	1,518	2,323	1,862	2,272	3,079
4 Housing Assistance Administration [2]	461	...	...	...	...	...	...	...	...
5 U.S. Govt. loans	79	76	133	10	8	5	3	4	3
By type of issuer:									
6 State	4,784	7,438	7,054	468	441	705	769	875	1,476
7 Special district and statutory authority	8,638	12,441	15,304	1,786	1,335	1,818	1,388	1,836	1,873
8 Municipalities, counties, townships, school districts	10,817	10,660	12,845	1,166	1,367	1,612	1,407	1,593	1,994
9 **Issues for new capital, total**	**23,508**	**29,495**	**32,108**	**3,084**	**3,019**	**3,209**	**2,939**	**3,781**	**4,456**
By use of proceeds:									
10 Education	4,730	4,689	4,900	489	502	472	249	497	807
11 Transportation	1,712	2,208	2,586	104	410	180	119	508	218
12 Utilities and conservation	5,634	7,209	9,594	1,050	935	804	703	1,235	1,202
13 Social welfare	3,820	4,392	6,566	483	580	600	658	438	816
14 Industrial aid	494	445	483	15	12	38	42	130	23
15 Other purposes	7,118	10.552	7,979	943	580	1,115	1,168	973	1.390
				Corporate					
16 **All issues** [3]	**38,313**	**53,619**	**53,356**	**3,989**	**2,708**	**5,495**	**3,639**	**3,735**	**5,321**
17 **Bonds**	**32,066**	**42,756**	**42,262**	**3,387**	**1,888**	**4,300**	**3,048**	**2,487**	**4,286**
By type of offering:									
18 Public	25,903	32,583	26,453	2,786	1,102	2,610	1,961	1,600	2,045
19 Private placement	6,160	10,172	15,808	601	786	1,690	1,087	887	2,241
By industry group:									
20 Manufacturing	9,867	16,980	13,243	817	568	1,049	1,128	644	1,006
21 Commercial and miscellaneous	1,845	2,750	4,361	743	346	454	180	112	363
22 Transportation	1,550	3,439	4,357	165	47	243	129	169	25
23 Public utility	8,873	9,658	8,297	634	210	756	602	581	1,237
24 Communication	3,710	3,464	2,787	50	290	808	324	294	371
25 Real estate and financial	6,218	6,469	9,222	979	426	991	684	688	1,284
26 **Stocks**	**6,247**	**10,863**	**11,094**	**602**	**820**	**1,195**	**591**	**1,248**	**1,035**
By type:									
27 Preferred	2,253	3,458	2,789	103	128	520	163	212	332
28 Common	3,994	7,405	8,305	499	692	675	428	1,036	703
By industry group:									
29 Manufacturing	544	1,670	2,237	89	175	76	220	8	176
30 Commercial and miscellaneous	940	1,470	1,183	136	94	114	114	126	437
31 Transportation	22	1	24	...	...	125	...	...	103
32 Public utility	3,964	6,235	6,101	352	225	842	172	1,031	229
33 Communication	217	1,002	776	...	267	...	10	...	45
34 Real estate and financial	562	488	771	25	60	38	75	84	45

1 Par amounts of long-term issues based on date of sale.

2 Only bonds sold pursuant to the 1949 Housing Act, which are secured by contract requiring the Housing Assistance Administration to make annual contributions to the local authority.

3 Figures, which represent gross proceeds of issues maturing in more than 1 year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.

SOURCES.—State and local government securities, Securities Industry Association; corporate securities, Securities and Exchange Commission.

1.48 CORPORATE SECURITIES Net Change in Amounts Outstanding

Millions of dollars

	Source of change, or industry	1974	1975	1976	1975 Q2	1975 Q3	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4
	All issues[1]										
1	New issues	39,344	53,255	53,123	15,602	9,079	13,363	13,671	14,229	11,385	13,838
2	Retirements	9,935	10,991	12,184	3,211	2,576	3,116	2,315	3,668	2,478	3,723
3	Net change	**29,399**	**42,263**	**40,939**	**12,390**	**6,503**	**10,247**	**11,356**	**10,561**	**8,907**	**10,115**
	Bonds and notes										
4	New issues	31,354	40,468	38,994	11,460	6,654	9,595	9,404	10,244	8,701	10,645
5	Retirements	6,255	8,583	9,109	2,336	2,111	2,549	1,403	3,159	1,826	2,721
6	**Net change: Total**	**25,098**	**31,886**	**29,884**	**9,124**	**4,543**	**7,047**	**8,001**	**7,084**	**6,875**	**7,924**
	By industry:										
7	Manufacturing	7,404	13,219	8,978	4,574	1,442	2,069	2,966	1,529	1,551	2,932
8	Commercial and other[2]	1,116	1,605	2,259	483	221	528	203	726	610	720
9	Transportation, including railroad	341	2,165	3,078	429	147	1,588	985	488	1,092	513
10	Public utility	7,308	7,236	6,829	1,977	1,395	1,211	1,820	1,260	2,109	1,640
11	Communication	3,499	2,980	1,687	810	472	429	498	953	335	-99
12	Real estate and financial	5,428	4,682	7,054	852	866	1,222	1,530	2,128	1,178	2,218
	Common and preferred stock										
13	New issues	7,980	12,787	14,129	4,142	2,425	3,768	4,267	3,985	2,684	3,193
14	Retirements	3,678	2,408	3,075	875	465	567	912	509	652	1,002
15	**Net change: Total**	**4,302**	**10,377**	**11,055**	**3,266**	**1,960**	**3,200**	**3,355**	**3,477**	**2,032**	**2,191**
	By industry:										
16	Manufacturing	17	1,607	2,634	500	412	433	838	1,120	744	-68
17	Commercial and other[2]	135	1,137	762	490	108	462	88	318	117	239
18	Transportation, including railroad	20	65	96	7	53	4	5	25	17	49
19	Public utility	3,834	6,015	6,171	1,866	1,043	1,537	2,174	1,300	932	1,765
20	Communication	398	1,084	854	359	97	604	47	735	19	53
21	Real estate and financial	207	468	538	43	247	160	203	-21	203	153

1 Excludes issues of investment companies.
2 Extractive and commercial and miscellaneous companies.

NOTE.—Securities and Exchange Commission estimates of cash transactions only, as published in the Commission's *Statistical Bulletin*.

New issues and retirements exclude foreign sales and include sales of securities held by affiliated companies, special offerings to employees, new stock issues, and cash proceeds connected with conversions of bonds into stocks. Retirements, defined in the same way, include securities retired with internal funds or with proceeds of issues for that purpose.

1.49 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

	Item	1975	1976	1977 Feb.	1977 Mar.	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug
	INVESTMENT COMPANIES excluding money market funds									
1	Sales of own shares[1]	3,302	4,226	423	463	558	421	639	573	501
2	Redemptions of own shares[2]	3,686	6,802	463	553	468	531	510	515	493
3	Net sales	-384	2,496	-40	90	63	-110	129	58	8
4	**Assets**[3]	**42,179**	**47,537**	**45,040**	**44,516**	**44,862**	**44,403**	**46,255**	**45,651**	**45,038**
5	Cash position[4]	3,748	2,747	3,260	3,474	2,776	2,859	2,901	3,068	3,135
6	Other	38,431	44,790	41,780	41,042	42,086	41,544	43,354	42,583	41,903

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

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

1.50 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1974	1975	1976	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2[r]
1 **Profits before tax**	**126.9**	**123.5**	**156.9**	**141.0**	**153.5**	**159.2**	**159.9**	**154.8**	**161.7**	**174.0**
2 Profits tax liability	52.4	50.2	64.7	57.9	63.1	66.1	65.9	63.9	64.4	69.7
3 Profits after tax	74.5	73.3	92.2	83.1	90.4	93.1	94.0	90.9	97.3	104.3
4 Dividends	31.0	32.4	35.8	32.5	33.6	35.0	36.0	38.4	[r]38.5	40.3
5 Undistributed profits	43.5	40.9	56.4	50.6	56.8	58.1	58.0	52.5	[r]58.8	64.0
6 Capital consumption allowances	81.6	89.5	97.2	92.2	94.1	95.9	98.2	100.4	102.0	103.5
7 Net cash flow	125.1	130.4	153.6	142.8	150.9	154.0	156.2	152.9	[r]160.8	167.5

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

1.51 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, end of period

Account	1971	1972	1973	1974	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1
1 **Current assets**	**529.4**	**574.4**	**643.2**	**712.2**	**731.6**	**753.5**	**775.4**	**791.8**	**816.8**	**845.3**
2 Cash	53.3	57.5	61.6	62.7	68.1	68.4	70.8	71.1	77.0	75.0
3 U.S. Govt. securities	11.0	10.2	11.0	11.7	19.4	21.7	23.3	23.9	26.4	27.3
4 *Notes and accounts receivable*	*221.1*	*243.4*	*269.6*	*293.2*	*298.2*	*310.9*	*321.8*	*328.5*	*328.2*	*346.6*
5 U.S. Govt.[1]	3.5	3.4	3.5	3.5	3.6	3.6	3.7	4.3	4.3	4.7
6 Other	217.6	240.0	266.1	289.7	294.6	307.3	318.1	324.2	323.9	342.0
7 Inventories	200.4	215.2	246.7	288.0	285.8	288.8	295.6	302.1	315.4	322.1
8 Other	43.8	48.1	54.4	56.6	60.0	63.6	63.9	66.3	69.8	74.3
9 **Current liabilities**	**326.0**	**352.2**	**401.0**	**450.6**	**457.5**	**465.9**	**475.9**	**484.1**	**499.9**	**516.6**
10 *Notes and accounts payable*	*220.5*	*234.4*	*265.9*	*292.7*	*288.0*	*286.9*	*293.8*	*291.7*	*302.9*	*309.0*
11 U.S. Govt.[1]	4.9	4.0	4.3	5.2	6.4	6.4	6.8	7.0	7.0	6.8
12 Other	215.6	230.4	261.6	287.5	281.6	280.5	287.0	284.7	295.9	302.2
13 Accrued Federal income taxes	13.1	15.1	18.1	23.2	20.7	23.9	22.0	24.9	26.8	28.6
14 Other	92.4	102.6	117.0	134.8	148.8	155.0	160.1	167.5	170.2	179.0
15 **Net working capital**	**203.6**	**222.2**	**242.3**	**261.5**	**274.1**	**287.6**	**299.5**	**307.7**	**316.9**	**328.7**

[1] Receivables from, and payables to, the U.S. Govt. exclude amounts offset against each other on corporations' books.

SOURCE.—Estimates published in *Statistical Bulletin* (Securities and Exchange Commission).

1.52 BUSINESS EXPENDITURES on New Plant and Equipment

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

Industry	1976	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3[2]	1977 Q4[2]
1 **All industries**	**120.82**	**111.80**	**114.72**	**118.12**	**122.55**	**125.22**	**130.16**	**134.24**	**138.43**	**142.02**
Manufacturing										
2 Durable goods industries	23.50	21.07	21.63	22.54	24.59	25.50	26.30	27.26	27.96	29.74
3 Nondurable goods industries	29.22	25.75	27.58	28.09	30.20	28.93	30.13	32.19	33.40	34.58
Nonmanufacturing										
4 Mining	3.98	3.82	3.83	3.83	4.21	4.13	4.24	4.49	4.52	4.54
Transportation:										
5 Railroad	2.35	2.39	2.08	2.64	2.69	2.63	2.71	2.57	2.74	3.19
6 Air	1.31	1.65	1.18	1.44	1.12	1.41	1.62	1.43	1.84	2.05
7 Other	3.56	3.56	3.29	4.16	3.44	3.49	2.96	2.96	2.18	1.72
Public utilities:										
8 Electric	18.90	17.92	18.56	18.82	18.22	19.49	21.19	21.14	22.24	22.72
9 Gas and other	3.47	3.00	3.36	3.03	3.45	3.96	4.16	4.16	4.47	4.78
10 Communication	12.93	12.22	12.54	12.62	13.64	14.30	14.19	15.32	39.08	38.70
11 Commercial and other[1]	20.87	20.44	20.68	20.94	20.99	21.36	22.67	22.73		

[1] Includes trade, service, construction, finance, and insurance.

NOTE.—Estimates for corporate and noncorporate business, excluding agriculture; real estate operators; medical, legal, educational, and cultural service; and nonprofit organizations.

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

1.521 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1972	1973	1974	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2
ASSETS										
Accounts receivable, gross										
1 Consumer	31.9	35.4	36.1	36.0	35.7	36.7	37.6	38.6	39.2	40.7
2 Business	27.4	32.3	37.2	39.3	41.2	42.4	42.4	44.7	47.5	50.4
3 *Total*	*59.3*	*67.7*	*73.3*	*75.3*	*76.9*	*79.2*	*80.0*	*83.4*	*86.7*	*91.2*
4 Less: Reserves for unearned income and losses	7.4	8.4	9.0	9.4	9.4	9.8	10.2	10.5	10.6	11.1
5 Accounts receivable, net	51.9	59.3	64.2	65.9	67.4	69.4	69.9	72.9	76.1	80.1
6 Cash and bank deposits	2.8	2.6	3.0	2.9	2.8	2.7	2.6	2.6	2.7	2.5
7 Securities	.9	.8	.4	1.0	.8	.8	1.2	1.1	1.0	1.2
8 All other	10.0	10.6	12.0	11.8	12.5	12.4	12.7	12.6	13.0	13.7
9 **Total assets**	**65.6**	**73.2**	**79.6**	**81.6**	**83.5**	**85.3**	**86.4**	**89.2**	**92.8**	**97.5**
LIABILITIES										
10 Bank loans	5.6	7.2	9.7	8.0	7.4	6.9	5.5	6.3	6.1	5.7
11 Commercial paper	17.3	19.7	20.7	22.2	22.2	22.2	21.7	23.7	24.8	27.5
Debt:										
12 Short-term, n.e.c.	4.3	4.6	4.9	4.5	4.9	5.0	5.2	5.4	4.5	5.5
13 Long-term, n.e.c.	22.7	24.6	26.5	27.6	28.4	30.1	31.0	32.3	34.0	35.0
14 Other	4.8	5.6	5.5	6.8	7.8	7.8	9.5	8.1	9.5	9.4
15 Capital, surplus, and undivided profits	10.9	11.5	12.4	12.5	12.8	13.2	13.4	13.4	13.9	14.4
16 **Total liabilities and capital**	**65.6**	**73.2**	**79.6**	**81.6**	**83.5**	**85.3**	**86.4**	**89.2**	**92.8**	**97.5**

NOTE.—Components may not add to totals due to rounding.

1.522 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Aug. 31, 1977[1]	Changes in accounts receivable during— 1977 June	July	Aug.	Extensions 1977 June	July	Aug.	Repayments 1977 June	July	Aug.
1 **Total**	**50,006**	**982**	**1,103**	**1,968**	**11,961**	**12,152**	**13,218**	**10,979**	**11,049**	**11,250**
2 Retail automotive (commercial vehicles)	11,183	340	296	269	1,042	1,030	1,022	702	734	753
3 Wholesale automotive	9,317	137	686	1,187	5,049	5,493	6,321	4,912	4,807	5,134
4 Retail paper on business, industrial, and farm equipment	13,140	238	197	296	694	788	805	456	591	509
5 Loans on commercial accounts receivable	3,914	115	28	2	2,483	2,301	2,270	2,368	2,273	2,272
6 Factored commercial accounts receivable	2,294	50	120	17	1,347	1,261	1,429	1,397	1,381	1,412
7 All other business credit	10,158	202	16	201	1,346	1,279	1,371	1,144	1,263	1,170

[1] Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

	Item	1974	1975	1976	1977 Mar.	Apr.	May	June	July	Aug.
		Terms and yields in primary and secondary markets								
	PRIMARY MARKETS									
	Conventional mortgages on new homes									
	Terms:[1]									
1	Purchase price (thous. dollars)	40.1	44.6	48.4	53.8	53.4	52.8	53.1	53.7	54.6
2	Amount of loan (thous. dollars)	29.8	33.3	35.9	40.9	39.6	39.9	39.5	40.0	40.7
3	Loan/price ratio (per cent)	74.3	74.7	74.2	77.5	75.5	77.4	76.0	76.2	76.5
4	Maturity (years)	26.3	26.8	27.2	28.0	27.3	27.9	27.2	27.9	28.2
5	Fees and charges (per cent of loan amount)[2]	1.30	1.54	1.44	1.34	1.30	1.34	1.25	1.31	1.29
6	Contract rate (per cent per annum)	8.71	8.75	8.76	8.74	8.73	8.74	8.78	8.79	8.81
	Yield (per cent per annum):									
7	FHLBB series[3]	8.92	9.01	8.99	8.95	8.94	8.96	8.98	9.00	9.02
8	HUD series[4]	9.22	9.10	8.99	8.85	8.90	8.95	9.00	9.00	9.00
	SECONDARY MARKETS									
	Yields (per cent per annum) on–									
9	FHA mortgages (HUD series)[5]	9.55	9.19	8.82	8.58	8.57	....	8.74	8.74	8.74
10	GNMA securities[6]	8.72	8.52	8.17	8.06	7.96	8.04	7.95	7.95	8.03
	FNMA auctions:[7]									
11	Government-underwritten loans	9.31	9.26	8.99	8.68	8.67	8.74	8.75	8.72	8.76
12	Conventional loans	9.43	9.37	9.11	8.91	8.97	9.08	9.12	9.07	9.06
		Activity in secondary markets								
	FEDERAL NATIONAL MORTGAGE ASSOCIATION									
	Mortgage holdings (end of period)									
13	Total	29,578	31,824	32,904	32,830	32,938	33,580	33,918	33,954	34,029
14	FHA-insured	19,189	19,732	18,916	18,739	18,745	18,939	18,974	18,887	18,785
15	VA-guaranteed	8,310	9,573	9,212	9,099	9,125	9,399	9,509	9,449	9,388
16	Conventional	2,080	2,519	4,776	4,992	5,069	5,241	5,435	5,618	5,866
	Mortgage transactions (during period)									
17	Purchases	6,953	4,263	3,606	283	391	947	656	322	405
18	Sales	4	2	86	....	....	7	....	....	....
	Mortgage commitments:[8]									
19	Contracted (during period)	10,765	6,106	6,247	1,119	716	1,452	999	357	531
20	Outstanding (end of period)	7,960	4,126	3,398	5,184	5,411	5,773	5,854	5,062	4,717
	Auction of 4-month commitments to buy–									
	Government-underwritten loans:									
21	Offered[9]	5,462.6	7,042.6	4,929.8	1,138.2	456.1	1,842.8	278.9	206.4	314.9
22	Accepted	2,371.4	3,848.3	2,787.2	612.0	269.8	1,027.4	127.8	131.4	221.4
	Conventional loans:									
23	Offered[9]	1,195.4	1,401.3	2,595.7	373.9	348.1	1,164.6	371.1	286.8	370.2
24	Accepted	656.5	765.0	1,879.2	268.1	280.7	751.7	263.0	184.4	236.7
	FEDERAL HOME LOAN MORTGAGE CORPORATION									
	Mortgage holdings (end of period)[10]									
25	Total	4,586	4,987	4,269	3,557	3,355	3,285	3,389	3,483	3,424
26	FHA/VA	1,904	1,824	1,618	1,564	1,542	1,523	1,502	1,481	1,463
27	Conventional	2,682	3,163	2,651	1,993	1,813	1,763	1,887	2,001	1,961
	Mortgage transactions (during period)									
28	Purchases	2,191	1,716	1,175	200	235	310	379	236	348
29	Sales	52	1,020	1,396	285	388	329	336	79	414
	Mortgage commitments:[11]									
30	Contracted (during period)	4,553	982	1,477	459	606	525	511	511	567
31	Outstanding (end of period)	2,390	111	333	760	1,112	1,314	1,293	1,350	1,352

1 Weighted averages based on sample surveys of mortgages originated by major institutional lender groups. Compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.

2 Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) in order to obtain a loan.

3 Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.

4 Average contract rates on new commitments for conventional first mortgages, rounded to the nearest 5 basis points; from Dept. of Housing and Urban Development.

5 Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.

6 Average net yields to investors on Government National Mortgage Association-guaranteed, mortgage-backed, fully-modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.

7 Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.

8 Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA Tandem plans.

9 Mortgage amounts offered by bidders are total bids received.

10 Includes participations as well as whole loans.

11 Includes conventional and Government-underwritten loans.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

	Type of holder, and type of property	1972	1973	1974	1975	1976		1977	
						Q3	Q4	Q1	Q2p
1	**All holders**	**603,417**	**682,321**	**742,512**	**801,537**	**865,733**	**889,039**	**910,941**	**946,761**
2	1- to 4-family	372,154	416,211	449,371	490,761	538,847	556,443	572,517	598,069
3	Multifamily	82,840	93,132	99,976	100,601	103,882	104,283	104,342	106,057
4	Commercial	112,665	131,725	146,877	159,298	167,539	171,259	174,763	181,216
5	Farm	35,758	41,253	46,288	50,877	55,465	57,054	59,319	61,419
6	**Major financial institutions**	**450,000**	**505,400**	**542,560**	**581,193**	**630,103**	**647,627**	**662,272**	**687,968**
7	*Commercial banks*[1]	*99,314*	*119,068*	*132,105*	*136,186*	*147,805*	*151,208*	*154,510*	*161,109*
8	1- to 4-family	57,004	67,998	74,758	77,018	83,938	86,205	88,086	91,849
9	Multifamily	5,778	6,932	7,619	5,915	8,144	8,100	8,282	8,635
10	Commercial	31,751	38,696	43,679	46,882	49,160	50,175	51,266	53,456
11	Farm	4,781	5,442	6,049	6,371	6,563	6,728	6,876	7,169
12	*Mutual savings banks*	*67,556*	*73,230*	*74,920*	*77,249*	*80,249*	*81,734*	*82,273*	*83,469*
13	1- to 4-family	46,229	48,811	49,213	50,025	52,250	53,217	53,568	54,355
14	Multifamily	10,910	12,343	12,923	13,792	13,915	14,173	14,266	14,465
15	Commercial	10,355	12,012	12,722	13,373	14,028	14,287	14,381	14,590
16	Farm	62	64	62	59	56	57	58	59
17	*Savings and loan associations*	*206,182*	*231,733*	*249,301*	*278,590*	*311,847*	*323,130*	*333,703*	*350,777*
18	1- to 4-family	166,410	187,078	200,987	223,903	251,629	260,895	270,100	283,920
19	Multifamily	21,051	22,779	23,808	25,547	27,505	28,436	29,032	30,517
20	Commercial	18,721	21,876	24,506	29,140	32,713	33,799	34,571	36,340
21	*Life insurance companies*	*76,948*	*81,369*	*86,234*	*89,168*	*90,202*	*91,555*	*91,786*	*92,613*
22	1- to 4-family	22,315	20,426	19,026	17,590	16,448	16,088	15,699	15,291
23	Multifamily	17,347	18,451	19,625	19,629	19,234	19,178	18,921	18,846
24	Commercial	31,608	36,496	41,256	45,196	47,336	48,864	49,526	50,616
25	Farm	5,678	5,996	6,327	6,753	7,184	7,425	7,640	7,860
26	**Federal and related agencies**	**40,157**	**46,721**	**58,320**	**66,891**	**67,314**	**66,753**	**66,248**	**68,609**
27	*Government National Mortgage Assn.*	*5,113*	*4,029*	*4,846*	*7,438*	*5,068*	*4,241*	*4,013*	3,912
28	1- to 4-family	2,513	1,455	2,248	4,728	2,486	1,970	1,670	1,654
29	Multifamily	2,600	2,574	2,598	2,710	2,582	2,271	2,343	2,258
30	*Farmers Home Admin.*	*1,019*	*1,366*	*1,432*	*1,109*	*1,355*	*1,064*	*500*	*1,043*
31	1- to 4-family	279	743	759	208	754	454	98	410
32	Multifamily	29	29	167	215	143	218	28	97
33	Commercial	320	218	156	190	133	72	64	126
34	Farm	391	376	350	496	325	320	310	410
35	*Federal Housing and Veterans Admin.*	*3,338*	*3,476*	*4,015*	*4,970*	*5,092*	*5,150*	*5,406*	*5,530*
36	1- to 4-family	2,199	2,013	2,009	1,990	1,716	1,676	1,732	1,706
37	Multifamily	1,139	1,463	2,006	2,980	3,376	3,474	3,674	3,824
38	*Federal National Mortgage Assn.*	*19,791*	*24,175*	*29,578*	*31,824*	*32,962*	*32,904*	*32,830*	*33,918*
39	1- to 4-family	17,697	20,370	23,778	25,813	27,030	26,934	26,836	27,933
40	Multifamily	2,094	3,805	5,800	6,011	5,932	5,970	5,994	5,985
41	*Federal land banks*	*9,107*	*11,071*	*13,863*	*16,563*	*18,568*	*19,125*	*19,942*	*20,818*
42	1- to 4-family	13	123	406	549	586	601	611	628
43	Farm	9,094	10,948	13,457	16,014	17,982	18,524	19,331	20,190
44	*Federal Home Loan Mortgage Corp.*	*1,789*	*2,604*	*4,586*	*4,987*	*4,269*	*4,269*	*3,557*	*3,388*
45	1- to 4-family	1,754	2,446	4,217	4,588	3,917	3,889	3,200	2,901
46	Multifamily	35	158	369	399	352	380	357	487
47	**Mortgage pools or trusts**[2]	**14,404**	**18,040**	**23,799**	**34,138**	**44,960**	**49,801**	**54,811**	**58,748**
48	*Government National Mortgage Assn.*	*5,504*	*7,890*	*11,769*	*18,257*	*26,725*	*30,572*	34,260	36,573
49	1- to 4-family	5,353	7,561	11,249	17,538	25,841	29,583	33,190	35,467
50	Multifamily	151	329	520	719	884	989	1,070	1,106
51	*Federal Home Loan Mortgage Corp.*	*441*	*766*	*757*	*1,598*	*2,506*	*2,671*	*3,570*	*4,460*
52	1- to 4-family	331	617	608	1,349	2,141	2,282	3,112	3,938
53	Multifamily	110	149	149	249	365	389	458	522
54	*Farmers Home Admin.*	*8,459*	*9,384*	*11,273*	*14,283*	*15,729*	*16,558*	*16,981*	*17,715*
55	1- to 4-family	5,017	5,458	6,782	9,194	9,587	10,219	10,423	10,814
56	Multifamily	131	138	116	295	535	532	530	777
57	Commercial	867	1,124	1,473	1,948	2,291	2,440	2,560	2,680
58	Farm	2,444	2,664	2,902	2,846	3,316	3,367	3,468	3,444
59	**Individuals and others**[3]	**98,856**	**112,160**	**117,833**	**119,315**	**123,356**	**124,858**	**127,610**	**131,436**
60	1- to 4-family	45,040	51,112	53,331	56,268	60,524	62,430	64,192	67,203
61	Multifamily	21,465	23,982	24,276	22,140	20,915	20,173	19,387	18,538
62	Commercial	19,043	21,303	23,085	22,569	21,878	21,622	22,395	23,408
63	Farm	13,308	15,763	17,141	18,338	20,039	20,633	21,636	22,287

1 Includes loans held by nondeposit trust companies but not bank trust departments.

2 Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.

3 *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 U.S. agencies for which amounts are small or separate data are not readily available.

NOTE.—Based on data from various institutional and Govt. sources, with some quarters estimated in part by Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Dept. of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations where required, are estimated mainly by Federal Reserve. Multifamily debt refers to loans on structures of 5 or more units.

1.55 CONSUMER INSTALMENT CREDIT Total Outstanding, and Net Change

Millions of dollars

	Holder, and type of credit	1974	1975	1976	1977 Feb.	Mar.	Apr.	May	June	July	Aug.
					Amounts outstanding (end of period)						
1	**Total**	**157,454**	**164,955**	**185,489**	**184,504**	**186,379**	**189,187**	**192,143**	**196,157**	**198,973**	**203,192**
	By holder:										
2	Commercial banks	75,846	78,667	89,511	89,223	90,187	91,837	93,190	95,307	96,797	98,894
3	Finance companies	36,087	35,994	38,639	38,868	39,188	39,561	40,127	40,712	41,398	41,987
4	Credit unions	21,895	25,666	30,546	30,701	31,448	31,912	32,704	33,750	34,122	35,077
5	Retailers[1]	17,933	18,002	19,052	17,860	17,585	17,734	17,911	18,032	18,137	18,475
6	Others[2]	5,693	6,626	7,741	7,852	7,971	8,142	8,211	8,355	8,520	8,760
	By type of credit:										
7	*Automobile*	*52,871*	*55,879*	*66,116*	*66,361*	*67,678*	*69,064*	*70,557*	*72,459*	*73,863*	*75,512*
8	Commercial banks	30,994	31,553	37,984	38,170	38,962	39,940	40,760	41,937	42,770	43,746
9	Indirect	18,687	18,353	21,176	21,170	21,563	22,059	22,442	23,054	23,493	23,994
10	Direct	12,306	13,200	16,808	17,000	17,399	17,881	18,319	18,883	19,277	19,752
11	Finance companies	10,623	11,155	12,489	12,450	12,593	12,757	13,023	13,219	13,597	13,783
12	Credit unions	10,869	12,741	15,163	15,240	15,611	15,841	16,234	16,754	16,938	17,412
13	Others	386	430	480	501	513	525	540	549	558	570
14	*Mobile homes*	*14,618*	*14,423*	*14,572*	*14,396*	*14,409*	*14,471*	*14,477*	*14,551*	*14,623*	*14,710*
15	Commercial banks	8,972	8,649	8,734	8,590	8,571	8,597	8,617	8,646	8,671	8,691
16	Finance companies	3,525	3,451	3,273	3,202	3,190	3,170	3,149	3,136	3,126	3,114
17	*Home improvement*	*8,522*	*9,405*	*10,990*	*10,962*	*11,097*	*11,287*	*11,465*	*11,742*	*11,964*	*12,257*
18	Commercial banks	4,694	4,965	5,554	5,474	5,510	5,594	5,702	5,838	5,960	6,087
	Revolving credit:										
19	Bank credit cards	8,281	9,501	11,351	11,090	10,971	11,149	11,205	11,462	11,634	12,085
20	Bank check credit	2,797	2,810	3,041	3,071	3,061	3,076	3,125	3,202	3,261	3,369
21	*All other*	*70,364*	*72,937*	*79,418*	*78,624*	*79,162*	*80,139*	*81,313*	*82,742*	*83,628*	*85,260*
22	Commercial banks, total	20,108	21,188	22,847	22,828	23,112	23,481	23,780	24,224	24,499	24,916
23	Personal loans	13,771	14,629	15,669	15,753	15,932	16,168	16,344	16,602	16,749	17,037
24	Finance companies, total	21,590	21,238	22,749	23,088	23,277	23,506	23,827	24,223	24,538	24,951
25	Personal loans	16,985	17,263	18,554	18,567	18,751	18,938	19,214	19,540	19,808	20,118
26	Credit unions	9,174	10,754	12,799	12,864	13,177	13,371	13,703	14,141	14,297	14,697
27	Retailers	17,933	18,002	19,052	17,860	17,585	17,734	17,911	18,032	18,137	18,475
28	Others	1,559	1,755	1,971	1,984	2,011	2,047	2,092	2,121	2,157	2,221
					Net change (during period)[3]						
29	**Total**	**9,280**	**7,504**	**20,533**	**1,824**	**2,848**	**2,770**	**2,519**	**2,282**	**2,319**	**2,508**
	By holder:										
30	Commercial banks	3,975	2,821	10,845	858	1,434	1,328	1,100	1,283	1,005	1,305
31	Finance companies	731	-90	2,644	349	585	392	460	182	524	321
32	Credit unions	2,262	3,771	4,880	517	611	634	665	519	368	472
33	Retailers[1]	1,538	69	1,050	14	113	223	210	144	286	170
34	Others[2]	774	933	1,115	86	106	192	84	154	136	240
	By type of credit:										
35	*Automobile*	*500*	*3,007*	*10,238*	*955*	*1,326*	*1,155*	*1,188*	*898*	*1,005*	*990*
36	Commercial banks	-508	559	6,431	491	790	693	561	681	521	661
37	Indirect	-310	-334	2,823	217	396	355	241	328	255	322
38	Direct	198	894	3,608	274	394	338	320	353	266	338
39	Finance companies	-116	532	1,334	174	244	135	258	-28	275	65
40	Credit unions	1,123	1,872	2,422	266	294	298	352	244	208	237
41	Other	2	44	50	24	-2	29	17	2	2	27
42	*Mobile homes*	*1,068*	*-195*	*150*	*-48*	*48*	*56*	*-18*	*23*	*45*	*44*
43	Commercial banks	632	323	85	-38	5	11	....	7	7	-8
44	Finance companies	166	-73	-177	-40	-1	-14	24	-21	-12	-18
45	*Home improvement*	*1,094*	*881*	*1,585*	*87*	*160*	*181*	*126*	*174*	*156*	*175*
46	Commercial banks	611	271	588	20	71	64	58	67	68	54
	Revolving credit:										
47	Bank credit cards	1,443	1,220	1,850	186	245	259	173	219	164	295
48	Bank check credit	543	14	231	39	50	54	98	85	34	55
49	*All other*	*4,631*	*2,577*	*6,479*	*605*	*1,019*	*1,065*	*952*	*883*	*914*	*949*
50	Commercial banks, total	1,255	1,080	1,659	160	272	248	209	237	211	248
51	Personal loans	898	858	1,040	126	200	182	146	156	117	137
52	Finance companies, total	746	348	1,509	212	341	270	227	226	260	273
53	Personal loans	486	279	1,290	178	280	219	184	185	228	186
54	Credit unions	948	1,580	2,045	204	264	281	258	239	129	200
55	Retailers	1,538	69	1,050	14	113	223	210	144	286	170
56	Others	145	196	217	15	29	43	48	36	28	59

1 Excludes 30-day charge credit held by retailers, oil and gas companies, and travel and entertainment companies.

2 Mutual savings banks, savings and loan associations, and auto dealers.

3 Net change equals extensions minus liquidations (repayments, charge-offs, and other credits); figures for all months are seasonally adjusted.

NOTE.—Total consumer noninstalment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to $38.7 billion at the end of 1976, $35.7 billion at the end of 1975, and $33.8 billion at the end of 1974. Comparable data for Dec. 31, 1977, will be published in the BULLETIN for February 1978.

1.56 CONSUMER INSTALMENT CREDIT Extensions and Liquidations

Millions of dollars

	Holder, and type of credit	1974	1975	1976	1977 Feb.	Mar.	Apr.	May	June	July	Aug.
					Extensions[3]						
1	**Total**	**157,200**	**164,169**	**193,328**	**17,418**	**18,351**	**18,609**	**18,322**	**18,613**	**18,416**	**18,979**
	By holder:										
2	Commercial banks	72,605	77,312	94,220	8,399	8,927	9,008	8,888	9,036	8,928	9,201
3	Finance companies	34,061	31,173	36,028	3,301	3,528	3,445	3,359	3,443	3,335	3,459
4	Credit unions	19,596	24,096	28,587	2,674	2,787	2,859	2,860	2,769	2,663	2,806
5	Retailers[1]	27,034	27,049	29,188	2,580	2,615	2,721	2,728	2,806	2,951	2,840
6	Others[2]	3,904	4,539	5,305	464	494	576	485	559	540	673
	By type of credit:										
7	*Automobile*	*45,429*	*51,413*	*62,988*	*5,747*	*6,135*	*6,037*	*5,973*	*5,978*	*5,877*	*6,064*
8	Commercial banks	26,406	28,573	36,585	3,278	3,563	3,462	3,341	3,442	3,464	3,523
9	Indirect	15,576	15,766	19,882	1,730	1,923	1,850	1,751	1,817	1,856	1,874
10	Direct	10,830	12,807	16,704	1,547	1,640	1,612	1,590	1,625	1,608	1,649
11	Finance companies	8,604	9,674	11,209	1,014	1,112	1,074	1,114	1,099	963	1,036
12	Credit unions	10,015	12,683	14,675	1,392	1,418	1,431	1,457	1,390	1,402	1,434
13	Others	404	483	518	64	42	70	60	47	48	72
14	*Mobile homes*	*5,782*	*4,323*	*4,841*	*367*	*434*	*463*	*402*	*408*	*440*	*465*
15	Commercial banks	3,486	2,622	3,071	210	257	269	262	232	253	253
16	Finance companies	1,376	764	690	53	56	58	50	48	55	55
17	*Home improvement*	*5,211*	*5,556*	*6,736*	*564*	*638*	*660*	*627*	*677*	*661*	*723*
18	Commercial banks	2,789	2,722	3,245	262	310	308	308	319	320	321
	Revolving credit:										
19	Bank credit cards	17,098	20,428	25,862	2,384	2,381	2,547	2,589	2,604	2,525	2,667
20	Bank check credit	4,227	4,024	4,783	459	470	467	498	512	489	500
21	*All other*	*79,453*	*78,425*	*88,117*	*7,897*	*8,292*	*8,436*	*8,233*	*8,434*	*8,424*	*8,559*
22	Commercial banks, total	18,599	18,944	20,673	1,806	1,945	1,956	1,891	1,927	1,876	1,937
23	Personal loans	13,176	13,386	14,480	1,302	1,392	1,406	1,365	1,380	1,314	1,367
24	Finance companies, total	23,796	20,657	24,087	2,228	2,354	2,307	2,188	2,289	2,309	2,361
25	Personal loans	17,162	16,944	19,579	1,755	1,863	1,833	1,744	1,850	1,836	1,870
26	Credit unions	8,560	10,134	12,340	1,127	1,207	1,264	1,233	1,225	1,113	1,207
27	Retailers	27,034	27,049	29,188	2,580	2,615	2,721	2,728	2,806	2,951	2,840
28	Others	1,463	1,642	1,830	156	171	188	193	187	175	214
					Liquidations[3]						
29	**Total**	**147,920**	**156,665**	**172,795**	**15,594**	**15,503**	**15,840**	**15,803**	**16,331**	**16,098**	**16,471**
	By holder:										
30	Commercial banks	68,630	74,491	83,376	7,540	7,493	7,680	7,789	7,753	7,923	7,897
31	Finance companies	33,330	31,263	33,384	2,952	2,943	3,053	2,899	3,261	2,811	3,138
32	Credit unions	17,334	20,325	23,707	2,157	2,176	2,225	2,195	2,250	2,295	2,333
33	Retailers[1]	25,496	26,980	28,138	2,566	2,502	2,497	2,518	2,662	2,665	2,670
34	Others[2]	3,130	3,606	4,191	378	389	384	401	405	404	433
	By type of credit:										
35	*Automobile*	*44,929*	*48,406*	*52,750*	*4,792*	*4,809*	*4,882*	*4,785*	*5,080*	*4,871*	*5,074*
36	Commercial banks	26,915	28,014	30,154	2,787	2,773	2,769	2,780	2,761	2,943	2,862
37	Indirect	15,886	16,101	17,059	1,513	1,527	1,495	1,509	1,489	1,601	1,552
38	Direct	11,029	11,913	13,095	1,274	1,246	1,274	1,271	1,272	1,342	1,310
39	Finance companies	8,720	9,142	9,875	840	868	939	856	1,127	688	970
40	Credit unions	8,892	10,811	12,253	1,126	1,124	1,133	1,106	1,146	1,194	1,197
41	Others	402	439	468	40	44	41	43	45	46	45
42	*Mobile homes*	*4,715*	*4,517*	*4,691*	*415*	*386*	*407*	*420*	*385*	*395*	*421*
43	Commercial banks	2,854	2,944	2,986	248	252	258	262	239	245	261
44	Finance companies	1,210	837	867	93	57	72	74	68	68	73
45	*Home improvement*	*4,117*	*4,675*	*5,151*	*477*	*478*	*479*	*501*	*503*	*504*	*548*
46	Commercial banks	2,178	2,451	2,657	241	238	244	250	252	252	267
	Revolving credit:										
47	Bank credit cards	15,655	19,208	24,012	2,198	2,136	2,288	2,416	2,385	2,361	2,372
48	Bank check credit	3,684	4,010	4,552	420	420	413	400	427	455	445
49	*All other*	*74,821*	*75,849*	*81,638*	*7,292*	*7,273*	*7,371*	*7,282*	*7,551*	*7,510*	*7,611*
50	Commercial banks, total	17,345	17,864	19,014	1,646	1,673	1,708	1,682	1,689	1,666	1,689
51	Personal loans	12,278	12,528	13,439	1,176	1,192	1,224	1,219	1,224	1,197	1,230
52	Finance companies, total	23,050	21,005	22,578	2,016	2,013	2,037	1,961	2,063	2,049	2,089
53	Personal loans	16,676	16,665	18,289	1,577	1,583	1,614	1,560	1,666	1,609	1,684
54	Credit unions	7,613	8,554	10,295	922	943	983	975	986	984	1,008
55	Retailers	25,496	26,980	28,138	2,566	2,502	2,497	2,518	2,662	2,665	2,670
56	Others	1,318	1,446	1,613	141	143	145	146	151	146	155

1 Excludes 30-day charge credit held by retailers, oil and gas companies, and travel and entertainment companies.

2 Mutual savings banks, savings and loan associations, and auto dealers.

3 Monthly figures are seasonally adjusted.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

	Transaction category, or sector	1971	1972	1973	1974	1975	1976	1975 H1	1975 H2	1976 H1	1976 H2	
	Nonfinancial sectors											
1	**Total funds raised**	**153.5**	**177.8**	**202.0**	**189.6**	**205.6**	**268.3**	**180.8**	**230.4**	**254.5**	**282.1**	1
2	*Excluding equities*	*142.1*	*167.2*	*194.3*	*185.8*	*195.5*	*257.8*	*170.3*	*220.8*	*241.1*	*274.4*	2
	By sector and instrument:											
3	**U.S. Govt.**	**24.9**	**15.1**	**8.3**	**11.8**	**85.4**	**69.0**	**79.6**	**91.2**	**73.1**	**64.9**	3
4	Public debt securities	26.0	14.3	7.9	12.0	85.8	69.1	80.4	91.3	73.0	65.3	4
5	Agency issues and mortgages	-1.1	.8	.4	-.2	-.4	-.1	-.8	-.1	.1	-.3	5
6	**All other nonfinancial sectors**	**128.6**	**162.7**	**193.8**	**177.8**	**120.2**	**199.2**	**101.1**	**139.2**	**181.4**	**217.1**	6
7	Corporate equities	11.5	10.5	7.7	3.8	10.0	10.5	10.5	9.6	13.3	7.6	7
8	Debt instruments	117.2	152.2	186.1	174.0	110.1	188.8	90.7	129.6	168.0	209.5	8
9	**Private domestic nonfinancial sectors**	**123.5**	**158.7**	**187.5**	**162.4**	**107.0**	**179.0**	**93.1**	**120.9**	**166.2**	**191.7**	9
10	Corporate equities	11.4	10.9	7.9	4.1	9.9	10.5	10.3	9.5	13.3	7.7	10
11	*Debt instruments*	*112.0*	*147.8*	*179.7*	*158.3*	*97.1*	*168.4*	*82.8*	*111.4*	*152.9*	*184.0*	11
12	*Debt capital instruments*	*86.8*	*102.3*	*105.0*	*98.7*	*95.8*	*122.7*	*93.8*	*97.8*	*111.7*	*133.7*	12
13	State and local obligations	17.4	14.7	14.7	17.1	13.6	15.1	12.3	14.9	14.7	15.5	13
14	Corporate bonds	18.8	12.2	9.2	19.7	27.2	22.8	32.6	21.8	19.8	25.8	14
	Mortgages:											
15	Home	28.6	42.6	46.4	34.8	39.5	63.6	33.4	45.6	57.1	70.2	15
16	Multifamily residential	9.7	12.7	10.4	6.9	*	1.6	.4	.4	.6	2.6	16
17	Commercial	9.8	16.5	18.9	15.1	11.0	13.4	9.4	12.6	13.9	12.9	17
18	Farm	2.4	3.6	5.5	5.0	4.6	6.1	5.1	4.0	5.0	7.3	18
19	*Other debt instruments*	*25.3*	*45.5*	*74.6*	*59.6*	*1.3*	*45.7*	*-11.0*	*13.6*	*41.2*	*50.3*	19
20	Consumer credit	13.1	18.9	22.0	10.2	9.4	23.6	2.2	16.6	22.9	24.2	20
21	Bank loans n.e.c.	8.1	18.9	39.8	29.1	-14.5	3.7	-20.9	-8.2	-.3	7.8	21
22	Open market paper	-.4	.8	2.5	6.6	-2.6	4.0	-1.4	-3.8	6.4	1.6	22
23	Other	4.4	6.9	10.3	13.7	9.0	14.4	9.0	9.0	12.2	16.7	23
24	*By borrowing sector*	*123.5*	*158.7*	*187.5*	*162.4*	*107.0*	*179.0*	*93.1*	*120.9*	*166.2*	*191.7*	24
25	State and local governments	17.7	14.5	13.2	16.2	11.2	14.6	10.0	12.3	13.0	16.3	25
26	Households	45.2	66.6	79.0	49.2	48.6	89.8	37.3	59.9	83.9	95.6	26
27	Farm	4.5	5.8	9.7	7.9	8.7	11.0	8.7	8.8	10.6	11.6	27
28	Nonfarm noncorporate	11.6	14.1	12.9	7.4	2.0	5.2	-1.1	5.1	2.7	7.6	28
29	Corporate	44.5	57.7	72.7	81.8	36.6	58.3	38.3	34.8	56.1	60.5	29
30	**Foreign**	**5.2**	**4.0**	**6.2**	**15.4**	**13.2**	**20.3**	**8.0**	**18.3**	**15.2**	**25.4**	30
31	Corporate equities	*	-.4	-.2	-.2	.1	*	.1	.1	*	-.1	31
32	*Debt instruments*	*5.2*	*4.4*	*6.4*	*15.7*	*13.0*	*20.3*	*7.9*	*18.2*	*15.1*	*25.5*	32
33	Bonds	.9	1.0	1.0	2.1	6.2	8.4	5.7	6.8	7.3	9.5	33
34	Bank loans n.e.c.	2.1	3.0	2.8	4.7	3.7	6.7	-.4	7.8	3.4	10.0	34
35	Open market paper	.3	-1.0	.9	7.3	.3	1.9	-.8	1.4	1.5	2.4	35
36	U.S. Govt. loans	1.8	1.5	1.7	1.6	2.8	3.3	3.4	2.2	2.9	3.6	36
	Financial sectors											
37	**Total funds raised**	**15.4**	**28.3**	**51.6**	**39.4**	**14.0**	**28.6**	**15.1**	**12.8**	**27.8**	**29.4**	37
	By instrument:											
38	*U.S. Govt. related*	*5.9*	*8.4*	*19.9*	*23.1*	*13.5*	*18.6*	*14.5*	*12.6*	*18.6*	*18.6*	38
39	Sponsored credit agency securities	1.1	3.5	16.3	16.6	2.3	3.3	1.9	2.8	4.5	2.1	39
40	Mortgage pool securities	4.8	4.9	3.6	5.8	10.3	15.7	11.5	9.2	14.2	17.2	40
41	Loans from U.S. Govt.	.....	.....	.....	.7	.9	-.4	1.1	.6	*	-.7	41
42	*Private financial sectors*	*9.5*	*19.9*	*31.7*	*16.3*	*.4*	*10.0*	*.6*	*.2*	*9.1*	*10.8*	42
43	Corporate equities	3.5	2.8	1.5	.3	*	.7	.1	-.1	.7	2.2	43
44	*Debt instruments*	*6.0*	*17.1*	*30.2*	*16.0*	*.4*	*9.2*	*.6*	*.3*	*9.8*	*8.6*	44
45	Corporate bonds	3.8	5.1	3.5	2.1	2.9	5.8	2.3	3.5	7.0	4.5	45
46	Mortgages	2.1	1.7	-1.2	-1.3	2.3	2.1	1.4	3.2	1.4	2.8	46
47	Bank loans n.e.c.	1.9	5.9	8.9	4.6	-3.6	-3.7	-4.7	-2.5	-3.0	-4.4	47
48	Open market paper and Rp's	.9	4.4	11.8	3.9	2.8	7.1	8.2	-2.6	6.1	8.1	48
49	Loans from FHLB's	-2.7	*	7.2	6.7	-4.0	-2.0	-6.6	-1.3	-1.6	-2.4	49
	By sector:											
50	Sponsored credit agencies	1.1	3.5	16.3	17.3	3.2	2.9	3.0	3.4	4.5	1.4	50
51	Mortgage pools	4.8	4.9	3.6	5.8	10.3	15.7	11.5	9.2	14.2	17.2	51
52	*Private financial sectors*	*9.5*	*19.9*	*31.7*	*16.3*	*.4*	*10.0*	*.6*	*.2*	*9.1*	*10.8*	52
53	Commercial banks	2.4	4.8	8.1	-1.1	1.7	7.4	5.7	-2.3	9.0	5.9	53
54	Bank affiliates	-.4	.7	2.2	3.5	.3	-.8	.9	-.3	-1.3	-.3	54
55	Foreign banking agencies	1.6	.8	5.1	2.9	-.3	.4	-.9	.2	-1.5	2.4	55
56	Savings and loan associations	-.1	2.0	6.0	6.3	-2.2	*	-6.8	2.3	.5	-.5	56
57	Other insurance companies	.6	.5	.5	.9	1.0	1.0	.9	1.0	1.0	1.0	57
58	Finance companies	2.7	6.2	9.4	4.5	.5	6.4	-1.4	2.4	5.7	7.1	58
59	REIT's	2.9	6.3	6.5	.6	-2.0	-2.8	-2.0	-1.9	-2.5	-3.0	59
60	Open-end investment companies	1.3	-.5	-1.2	-.7	-.1	-1.0	.7	-.9	-2.5	.5	60
61	Money market funds	.....	.....	.....	2.4	1.3	-.3	2.6	*	-.7	.2	61
	All sectors											
62	**Total funds raised, by instrument**	**168.9**	**206.1**	**253.7**	**229.0**	**219.5**	**296.8**	**195.9**	**243.2**	**282.2**	**311.4**	62
63	Investment company shares	1.3	.5	-1.2	.7	-.1	-1.0	.7	-.9	-2.5	.5	63
64	Other corporate equities	13.7	13.8	10.4	4.8	10.2	12.2	9.8	10.5	15.1	9.3	64
65	*Debt instruments*	*154.0*	*192.8*	*244.5*	*224.9*	*209.5*	*285.6*	*185.4*	*233.6*	*269.6*	*301.6*	65
66	U.S. Govt. securities	30.9	23.6	28.3	34.3	98.2	88.1	93.1	103.2	91.9	84.3	66
67	State and local obligations	17.4	14.7	14.7	17.1	13.6	15.1	12.3	14.9	14.7	15.5	67
68	Corporate and foreign bonds	23.5	18.4	13.6	23.9	36.3	37.0	41.3	31.3	34.7	39.3	68
69	Mortgages	52.6	77.0	79.9	60.5	57.2	86.8	49.5	65.0	77.9	95.7	69
70	Consumer credit	13.1	18.9	22.0	10.2	9.4	23.6	2.2	16.6	22.9	24.2	70
71	Bank loans n.e.c.	12.1	27.8	51.6	38.4	-14.4	6.7	-25.9	-2.9	.1	13.4	71
72	Open market paper and Rp's	.8	4.1	15.2	17.8	.5	13.0	6.1	-5.0	14.0	12.0	72
73	Other loans	3.5	8.4	19.1	22.7	8.7	15.3	6.9	10.5	13.4	17.2	73

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

	Transaction category, or sector	1971	1972	1973	1974	1975	1976	1975 H1	1975 H2	1976 H1	1976 H2	
1	**Total funds advanced in credit markets to nonfinancial sectors**	**142.1**	**167.2**	**194.3**	**185.8**	**195.5**	**257.8**	**170.3**	**220.8**	**241.1**	**274.4**	1
	By public agencies and foreign:											
2	*Total net advances*	*43.4*	*19.8*	*34.1*	*52.7*	*44.3*	*54.6*	*55.0*	*33.6*	*53.2*	*56.0*	2
3	U.S. Govt. securities	34.4	7.6	9.5	11.9	22.5	26.8	33.4	11.6	27.1	26.5	3
4	Residential mortgages	7.0	7.0	8.2	14.7	16.2	12.8	16.9	15.5	12.1	13.5	4
5	FHLB advances to S&L's	−2.7	*	7.2	6.7	−4.0	−2.0	−6.6	−1.3	−1.6	−2.4	5
6	Other loans and securities	4.6	5.1	9.2	19.5	9.5	16.9	11.3	7.8	15.6	18.3	6
	Totals advanced, by sector											
7	U.S. Govt.	2.8	1.8	2.8	9.8	15.1	8.9	15.9	14.3	6.4	11.4	7
8	Sponsored credit agencies	5.2	9.2	21.4	25.6	14.5	20.6	16.5	12.6	20.7	20.6	8
9	Monetary authorities	8.9	.3	9.2	6.2	8.5	9.8	7.6	9.5	14.5	5.2	9
10	Foreign	26.4	8.4	.6	11.2	6.1	15.2	15.0	2.7	11.6	18.8	10
11	Agency borrowing not included in line 1	5.9	8.4	19.9	23.1	13.5	18.6	14.5	12.6	18.6	18.6	11
	Private domestic funds advanced											
12	*Total net advances*	*104.6*	*155.9*	*180.2*	*156.1*	*164.8*	*221.8*	*129.8*	*199.7*	*206.6*	*237.0*	12
13	U.S. Govt. securities	−3.6	16.0	18.8	22.4	75.7	61.3	59.7	91.6	64.8	57.8	13
14	State and local obligations	17.4	14.7	14.7	17.1	13.6	15.1	12.3	14.9	14.7	15.5	14
15	Corporate and foreign bonds	19.5	13.1	10.0	20.9	32.8	30.3	38.8	26.8	26.8	33.9	15
16	Residential mortgages	31.2	48.2	48.4	26.9	23.2	52.4	16.7	29.6	45.5	59.2	16
17	Other mortgages and loans	37.4	63.9	95.4	75.4	15.6	60.8	−4.3	35.5	53.2	68.3	17
18	Less: FHLB advances	−2.7	*	7.2	6.7	−4.0	−2.0	−6.6	−1.3	1.6	−2.4	18
	Private financial intermediation											
19	*Credit market funds advanced by private financial institutions*	*110.3*	*149.7*	*164.9*	*126.3*	*119.9*	*187.3*	*99.8*	*140.0*	*167.6*	*207.1*	19
20	Commercial banking	50.6	70.5	86.5	64.6	27.6	58.0	14.4	40.7	44.5	71.5	20
21	Savings institutions	39.9	48.2	36.9	26.9	52.0	71.9	48.5	55.4	71.8	72.0	21
22	Insurance and pension funds	13.7	17.2	23.9	30.0	41.5	47.6	38.3	44.7	47.8	47.3	22
23	Other finance	6.1	13.9	17.5	4.7	−1.1	9.9	−1.4	−.7	3.4	16.3	23
24	*Sources of funds*	*110.3*	*149.7*	*164.9*	*126.3*	*119.9*	*187.3*	*99.8*	*140.0*	*167.6*	*207.1*	24
25	Private domestic deposits	89.4	100.8	86.5	69.4	90.9	123.0	90.3	91.5	106.1	139.8	25
26	Credit market borrowing	6.0	17.1	30.2	16.0	.4	9.2	.6	.3	9.8	8.6	26
27	*Other sources*	*14.9*	*31.8*	*48.2*	*40.9*	*28.6*	*55.1*	*9.0*	*48.2*	*51.7*	*58.7*	27
28	Foreign funds	−3.9	5.3	6.9	14.5	−.4	3.1	−5.6	4.8	2.6	8.8	28
29	Treasury balances	2.2	.7	−1.0	−5.1	−1.7	−.1	−3.5	.1	2.9	−3.1	29
30	Insurance and pension reserves	8.6	11.6	18.4	26.0	29.0	35.8	26.4	31.5	35.1	36.5	30
31	Other, net	7.9	14.1	23.9	5.4	1.7	16.4	−8.3	11.7	16.2	16.6	31
	Private domestic nonfinancial investors											
32	*Direct lending in credit markets*	*.3*	*23.3*	*45.5*	*45.9*	*45.3*	*43.7*	*30.6*	*60.0*	*48.8*	*38.6*	32
33	U.S. Govt. securities	10.7	3.9	19.5	18.2	22.2	19.2	6.0	38.4	22.6	15.9	33
34	State and local obligations	.8	3.0	5.4	10.0	6.3	4.7	7.2	5.5	3.9	5.5	34
35	Corporate and foreign bonds	8.3	4.4	1.3	4.7	8.2	4.0	10.8	5.6	4.9	3.1	35
36	Commercial paper	−1.1	2.9	12.5	4.8	3.1	4.0	1.5	4.7	6.7	1.3	36
37	Other	3.0	9.1	6.8	8.2	5.5	11.8	5.1	6.0	10.8	12.8	37
38	*Deposits and currency*	*92.8*	*105.2*	*90.4*	*75.7*	*97.1*	*130.3*	*96.0*	*98.2*	*111.0*	*149.5*	38
39	*Time and savings accounts*	79.1	83.8	76.1	66.7	84.8	113.0	73.0	96.5	98.3	127.6	39
40	Large negotiable CD's	6.3	7.7	18.1	18.8	−14.0	14.2	−27.8	−.2	−18.0	10.4	40
41	Other at commercial banks	33.2	30.6	29.6	26.1	39.4	58.1	39.3	39.4	50.2	66.0	41
42	At savings institutions	39.6	45.4	28.5	21.8	59.4	69.1	61.5	57.4	66.1	72.1	42
43	*Money*	*13.7*	*21.4*	*14.3*	*8.9*	*12.3*	*17.3*	*23.0*	*1.7*	*12.7*	*21.9*	43
44	Demand deposits	10.4	17.0	10.3	2.6	6.1	10.0	17.3	−5.0	7.8	12.1	44
45	Currency	3.4	4.4	3.9	6.3	6.2	7.3	5.7	6.7	4.9	9.8	45
46	**Total of credit market instruments, deposits and currency**	**93.2**	**128.5**	**136.0**	**121.5**	**142.4**	**174.0**	**126.6**	**158.2**	**159.8**	**188.1**	46
47	Public support rate (in per cent)	30.5	11.8	17.5	28.4	22.7	21.2	32.3	15.2	22.1	20.4	47
48	Private financial intermediation (in per cent)	105.4	96.1	91.5	80.9	72.8	84.5	76.9	70.1	81.1	87.4	48
49	Total foreign funds	22.5	13.7	7.5	25.7	5.8	18.3	9.4	2.1	9.0	27.6	49
	MEMO: *Corporate equities not included above*											
50	**Total net issues**	**15.0**	**13.3**	**9.2**	**4.1**	**10.0**	**11.2**	**10.5**	**9.5**	**12.6**	**9.8**	50
51	Mutual fund shares	1.3	−.5	−1.2	−.7	.1	−1.0	.7	−.9	−2.5	.5	51
52	Other equities	13.7	13.8	10.4	4.8	10.2	12.2	9.8	10.5	15.1	9.3	52
53	Acquisitions by financial institutions	19.2	15.3	13.3	5.8	9.4	12.3	10.7	8.1	12.6	12.0	53
54	Other net purchases	−4.3	−2.1	−4.1	−1.6	.6	1.1	.2	1.4	*	−2.2	54

NOTES BY LINE NO.

1. Line 2 of p. A-44.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by Federally sponsored credit agencies, and net issues of Federally related mortgage pool securities. Included below in lines 3, 13, and 33.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, 39, and 44.
17. Includes farm and commercial mortgages.
25. Lines 39 plus 44.
26. Excludes equity issues and investment company shares. Includes line 18.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
29. Demand deposits at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 12 less line 19 plus line 26.
33–37. Lines 13–17 less amounts acquired by private finance. Line 37 includes mortgages.
45. Mainly an offset to line 9.
46. Lines 32 plus 38 or line 12 less line 27 plus line 45.
47. Line 2/line 1.
48. Line 19/line 12.
49. Lines 10 plus 28.
50, 52. Includes issues by financial institutions.

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

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

	Measure	1974	1975	1976	1977 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
1	**Industrial production**	**129.3**	**117.8**	**129.8**	**133.2**	**135.3**	**136.1**	**137.0**	**137.8**	**138.8**	**138.2**	**138.8**
	Market groupings:											
2	*Products, total*	*129.3*	*119.3*	*129.3*	*133.6*	*135.1*	*135.8*	*136.5*	*137.3*	*138.6*	*138.1*	*138.5*
3	Final, total	125.1	118.2	127.2	131.6	133.3	134.1	134.7	135.4	136.5	136.1	136.4
4	Consumer goods	128.9	124.0	136.2	140.5	142.9	142.9	143.1	143.8	145.0	144.2	144.6
5	Equipment	120.0	110.2	114.6	119.2	120.0	122.1	123.2	124.1	124.8	125.0	125.2
6	Intermediate	135.3	123.1	137.2	141.6	141.8	142.3	143.5	144.7	146.2	145.9	146.3
7	Materials	132.4	115.5	130.6	132.7	135.5	136.5	137.8	138.7	139.0	138.5	139.3
	Industry groupings:											
8	Manufacturing	129.4	116.3	129.5	132.6	135.1	135.8	137.1	137.8	138.5	138.6	138.9
	Capacity utilization (per cent)[1] in											
9	Manufacturing	84.2	73.6	80.2	80.9	82.1	82.2	82.8	83.0	83.1	82.9	82.9
10	Industrial materials industries	87.7	73.6	80.4	80.2	81.6	82.1	82.7	83.0	83.0	82.6	82.8
11	Construction contracts[2]	173.9	162.3	190.2	212.0	207.0	250.0	317.0	284.0	218.0	268.0	....
12	**Nonagricultural employment, total**[3]	**119.1**	**116.9**	**120.6**	**122.7**	**123.6**	**124.0**	**124.4**	**124.7**	**125.1**	**125.2**	**125.7**
13	Goods-producing, total	106.2	96.9	100.3	101.9	103.2	104.1	104.5	104.7	104.9	r104.4	104.7
14	Manufacturing, total	103.1	94.3	97.5	98.9	99.8	100.4	100.8	100.9	101.0	r100.7	100.9
15	Manufacturing, production-worker	102.1	91.3	95.2	96.5	97.6	98.3	98.9	98.9	r98.8	98.3	98.5
16	Service-producing	126.1	127.8	131.7	134.1	134.8	134.9	135.3	135.6	136.1	r136.6	137.1
17	**Personal income, total**[4]	**184.3**	**200.0**	**220.7**	**235.7**	**239.2**	**241.0**	**242.1**	**243.3**	**245.6**	**246.9**	**248.8**
18	Wages and salary disbursements	178.9	188.5	208.6	222.6	225.7	227.9	229.7	230.8	232.3	r232.9	234.6
19	Manufacturing	157.6	157.3	177.7	190.4	194.4	196.0	198.5	200.4	201.2	r200.1	201.5
20	Disposable personal income	180.8	199.2	217.8	235.4	....	....	239.4	....	....	....	....
21	Retail sales[5]	171.2	186.0	206.6	222.3	227.4	227.2	226.1	223.1	224.9	228.3	225.5
	Prices:[6]											
22	Consumer	147.7	161.2	170.5	177.1	178.2	179.6	180.6	181.8	182.6	183.3	....
23	Wholesale	160.1	174.1	182.9	190.0	191.9	194.3	195.2	194.4	194.9	194.6	195.3

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

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

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

4 Based on data in *Survey of Current Business* (U.S. Dept. of Commerce). Series for disposable income is quarterly.

5 Based on Bureau of Census data published in *Survey of Current Business* (U.S. Dept. of Commerce).

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

NOTE.—Basic data (not index numbers) for series mentioned in notes 3, 4, and 5, and indexes for series mentioned in notes 2 and 6 may also be found in the *Survey of Current Business* (U.S. Dept. of Commerce).

Figures for industrial production for the last 2 months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

	Series	Output (1967 = 100) 1976 Q4	1977 Q1	Q2	Q3	Capacity (per cent of 1967 output) 1976 Q4	1977 Q1	Q2	Q3	Utilization rate (per cent) 1976 Q4	1977[r] Q1	Q2[r]	Q3
1	**Manufacturing**	**131.2**	**133.1**	**136.9**	**138.7**	**162.8**	**164.0**	**165.6**	**167.1**	**80.6**	**81.2**	**82.7**	**83.0**
2	Primary processing	138.9	140.1	146.3	148.1	168.8	170.2	171.8	173.5	82.3	82.3	85.1	85.4
3	Advanced processing	127.2	129.4	132.0	133.7	159.6	r160.6	160.7	163.8	79.7	80.5	81.4	81.7
4	**Materials**	**131.9**	**133.1**	**137.7**	**138.9**	**164.3**	**165.5**	**166.6**	**167.8**	**80.3**	**80.4**	**82.6**	**82.8**
5	Durable goods	128.4	129.2	135.1	136.6	167.8	169.0	170.3	171.6	76.5	76.5	79.4	79.6
6	Basic metal	107.4	108.6	116.4	....	144.4	144.8	145.1	....	74.4	75.0	80.2	....
7	Nondurable goods	146.9	149.5	154.6	154.9	174.1	175.6	177.2	178.8	84.4	85.1	87.2	86.7
8	Textile, paper, and chemical	151.4	153.9	159.9	159.8	182.0	183.6	185.4	187.1	83.2	83.8	86.3	85.4
9	Textile	112.1	111.3	110.9	....	140.6	141.4	141.9	....	79.7	78.7	78.1	....
10	Paper	130.2	131.7	134.3	....	147.9	148.9	150.1	....	88.1	88.4	89.5	....
11	Chemical	177.3	181.6	191.8	....	213.7	216.2	218.7	....	83.0	84.0	87.7	....
12	Energy	122.0	122.0	122.6	124.7	143.9	144.3	144.7	145.2	84.8	84.5	84.8	85.9

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

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

Category	1974	1975	1976	1977 Mar.	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.	1977 Sept.
	Household survey data									
1 **Noninstitutional population**[1]	**150,827**	**153,449**	**156,048**	**157,782**	**157,986**	**158,228**	**158,456**	**158,682**	**158,899**	**159,114**
2 **Labor force (including Armed Forces)**[1]	**93,240**	**94,793**	**96,917**	**98,677**	**98,892**	**99,286**	**99,770**	**99,440**	**99,834**	**99,999**
3 Civilian labor force	91,011	92,613	94,773	96,539	96,760	97,158	97,641	97,305	97,697	97,868
Employment:										
4 Nonagricultural industries[2]	82,443	81,403	84,188	86,359	86,763	87,022	87,341	87,348	87,519	87,880
5 Agriculture	3,492	3,380	3,297	3,116	3,260	3,386	3,338	3,213	3,252	3,215
Unemployment:										
6 Number	5,076	7,830	7,288	7,064	6,737	6,750	6,962	6,744	6,926	6,773
7 *Rate (per cent of civilian labor force)*	*5.6*	*8.5*	*7.7*	*7.3*	*7.0*	*6.9*	*7.1*	*6.9*	*7.1*	*6.9*
8 **Not in labor force**	**57,587**	**58,655**	**59,130**	**59,104**	**59,094**	**58,943**	**58,686**	**59,242**	**59,064**	**59,114**
	Establishment survey data									
9 **Nonagricultural payroll employment**[3]	**78,413**	**77,050**	**79,443**	**81,395**	**81,686**	**81,921**	**82,121**	**r82,366**	**r82,459**	**82,750**
10 Manufacturing	20,046	18,347	18,958	19,404	19,528	19,600	19,622	r19,648	r19,580	19,618
11 Mining	694	745	783	842	847	845	855	r834	r825	846
12 Contract construction	3,957	3,515	3,593	3,759	3,842	3,861	3,876	r3,917	r3,884	3,888
13 Transportation and public utilities	4,696	4,499	4,508	4,568	4,575	4,586	4,579	r4,572	r4.583	4,590
14 Trade	17,017	16,997	17,694	18,189	18,203	18,235	18,247	r18,294	r18,356	18,427
15 Finance	4,208	4,222	4,315	4,453	4,463	4,480	4,489	r4,506	r4,520	4,543
16 Service	13,617	14,008	14,645	15,149	15,182	15,197	15,245	r15,372	r15,461	15,534
17 Government	14,177	14,773	14,947	15,031	15,046	15,117	15,208	r15,223	r15,250	15,304

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

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

[3] Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the February 1977 benchmark. Based on data from *Employment and Earnings* (U.S. Dept. of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted.

	Grouping	1967 pro-por-tion	1976 aver-age	1976 July [r]	1976 Aug. [r]	1976 Sept. [r]	1977 Feb.	1977 Mar.	1977 Apr.	1977 May	1977 June [r]	1977 July	1977 Aug. [p]	1977 Sept. [e]
							Index (1967 = 100)							
	MAJOR MARKET													
1	**Total index**	100.00	129.8	130.7	131.3	130.6	133.2	135.3	136.1	137.0	137.8	138.8	138.2	138.8
2	**Products**	60.71	129.3	129.7	130.1	129.4	133.6	135.1	135.8	136.5	137.3	138.6	138.1	138.5
3	*Final products*	*47.82*	*127.2*	*127.4*	*128.0*	*126.9*	*131.6*	*133.3*	*134.1*	*134.7*	*135.4*	*136.5*	*136.1*	*136.4*
4	Consumer goods	27.68	136.2	136.1	137.0	135.7	140.5	142.9	142.9	143.1	143.8	145.0	144.2	144.6
5	Equipment	20.14	114.6	115.3	115.6	114.8	119.2	120.0	122.1	123.2	124.1	124.8	125.0	125.2
6	Intermediate products	12.89	137.2	138.4	138.4	138.7	141.6	141.8	142.3	143.5	144.7	146.2	145.9	146.3
7	**Materials**	39.29	130.6	132.1	133.0	132.4	132.7	135.5	136.5	1378.	138.7	139.0	138.5	139.3
	Consumer goods													
8	*Durable consumer goods*	*7.89*	*141.4*	*141.5*	*144.2*	*138.7*	*146.1*	*152.4*	*151.5*	*152.2*	*155.8*	*157.7*	*154.7*	*155.1*
9	Automotive products	2.83	154.8	156.1	157.8	147.6	161.7	178.3	173.9	172.8	179.8	184.3	177.7	178.2
10	Autos and utility vehicles	2.03	149.8	155.3	157.5	139.2	152.7	176.1	171.2	167.4	177.4	183.9	173.7	174.7
11	Autos	1.90	132.0	134.4	137.3	121.0	132.8	155.8	150.6	148.5	156.8	161.4	150.9	151.7
12	Auto parts and allied goods	.80	167.6	158.3	158.4	168.6	184.3	184.1	181.3	186.6	185.8	185.5	187.0	187.5
13	Home goods	5.06	133.9	133.4	136.5	133.8	137.3	137.9	138.8	140.6	142.3	142.8	141.7	142.1
14	Appliances, A/C, and TV	1.40	114.6	106.9	120.5	113.1	118.5	124.1	126.4	131.0	133.1	130.1	129.2	129.2
15	Appliances and TV	1.33	117.2	110.4	123.2	116.6	121.1	126.5	129.9	134.8	136.8	134.4	132.7	......
16	Carpeting and furniture	1.07	144.1	142.7	145.0	146.3	146.0	144.6	145.0	147.3	151.2	154.1	153.8	......
17	Misc. home goods	2.59	140.1	143.9	141.7	139.8	144.0	142.7	143.0	143.1	143.6	145.0	143.4	144.0
18	*Nondurable consumer goods*	*19.79*	*134.1*	*134.0*	*134.2*	*134.5*	*138.3*	*139.1*	*139.4*	*139.5*	*139.1*	*140.1*	*139.9*	*140.2*
19	Clothing	4.29	124.0	123.4	120.7	121.5	123.6	123.9	124.4	125.5	125.7	124.1	......	......
20	Consumer staples	15.50	136.9	136.9	137.9	138.0	142.2	143.3	143.6	143.4	142.9	144.6	144.6	145.0
21	Consumer foods and tobacco	8.33	130.7	131.6	131.9	132.6	133.3	136.0	136.1	135.0	135.4	137.0	137.6	......
22	Nonfood staples	7.17	144.1	143.2	144.9	144.2	152.6	151.8	152.5	153.2	151.7	153.3	152.8	153.2
23	Consumer chemical products	2.63	166.4	164.5	168.9	169.2	175.7	175.9	178.1	180.8	179.3	179.4	181.3	......
24	Consumer paper products	*1.92*	*113.3*	*112.8*	*113.9*	*111.9*	*113.3*	*117.4*	*116.6*	*118.4*	*116.3*	*117.4*	*117.3*	......
25	Consumer energy products	2.62	144.4	144.0	143.3	142.9	158.3	152.8	153.0	150.8	149.8	153.6	150.3	......
26	Residential utilities	1.45	151.1	150.7	149.3	148.4	167.1	......	......	......	......	......	......	......
	Equipment													
27	*Business equipment*	*12.63*	*136.3*	*137.9*	*137.6*	*137.0*	*143.5*	*144.8*	*147.1*	*148.9*	*150.1*	*151.1*	*150.9*	*151.3*
28	Industrial equipment	6.77	128.0	128.7	128.1	129.5	133.2	134.4	136.3	138.4	140.0	140.7	140.6	141.0
29	Building and mining equipment	1.44	177.7	179.1	180.3	180.3	192.9	197.9	200.5	205.3	208.1	210.6	207.1	208.0
30	Manufacturing equipment	3.85	106.5	107.5	107.2	108.2	108.5	109.0	112.0	112.8	115.0	114.3	115.1	115.7
31	Power equipment	1.47	135.3	134.9	132.2	135.8	139.3	138.3	136.7	139.9	139.0	141.2	142.4	141.8
32	Commercial transit, farm equipment	5.86	145.8	148.7	148.6	145.8	155.3	156.9	159.5	161.2	161.9	163.0	162.9	163.2
33	Commercial equipment	3.26	173.5	174.9	176.2	176.8	185.6	186.1	189.7	191.1	191.4	191.7	191.9	192.7
34	Transit equipment	1.93	104.1	108.4	106.4	98.2	108.7	113.0	115.2	116.5	118.5	120.6	121.2	121.0
35	Farm equipment	.67	131.4	137.5	136.7	131.4	142.5	141.8	141.0	144.4	143.2	144.6	141.8	......
36	*Defense and space equipment*	*7.51*	*78.4*	*77.5*	*78.5*	*77.6*	*78.5*	*78.5*	*79.9*	*80.0*	*80.3*	*80.5*	*81.1*	*81.4*
	Intermediate products													
37	Construction supplies	6.42	132.6	134.1	134.9	134.1	135.6	136.4	137.2	138.7	139.9	141.1	140.9	141.6
38	Business supplies	6.47	141.8	142.7	141.8	143.2	147.6	147.3	147.5	148.4	149.6	151.3	150.9	......
39	Commercial energy products	1.14	157.1	159.2	157.7	157.5	164.9	163.6	164.6	165.8	164.2	168.2	165.3	......
	Materials													
40	*Durable goods materials*	*20.35*	*126.8*	*131.0*	*131.4*	*129.9*	*128.4*	*131.9*	*133.8*	*135.2*	*136.4*	*136.9*	*136.1*	*136.8*
41	Durable consumer parts	4.58	121.6	126.1	125.9	123.6	124.1	126.8	129.4	132.0	134.5	137.1	136.9	137.4
42	Equipment parts	5.44	133.9	136.3	138.1	138.3	137.3	137.8	140.7	141.7	143.0	145.1	145.4	146.2
43	Durable materials n.e.c.	10.34	125.5	130.4	130.6	128.3	125.5	131.1	132.2	133.2	133.8	132.4	130.9	131.7
44	Basic metal materials	5.57	110.9	118.6	120.0	113.7	105.5	113.6	115.0	117.8	116.3	112.6	110.3	......
45	*Nondurable goods materials*	*10.47*	*146.3*	*145.1*	*146.3*	*147.6*	*150.4*	*153.3*	*153.7*	*155.4*	*154.7*	*154.3*	*155.0*	*155.5*
46	Textile, paper, and chem. mat.	7.62	151.1	149.3	150.6	152.4	153.9	158.4	159.0	160.7	160.1	159.2	160.0	160.2
47	Textile materials	1.85	115.1	115.9	114.9	114.6	109.8	113.2	111.8	111.8	109.0	110.2	112.1	......
48	Paper materials	1.62	130.8	129.1	132.2	131.2	133.5	133.9	132.2	136.2	134.4	134.3	135.8	......
49	Chemical materials	4.15	175.1	172.2	173.5	177.6	181.6	188.0	190.6	192.2	192.7	190.9	191.0	......
50	Containers, nondurable	1.70	142.7	142.8	143.9	143.5	150.2	148.9	148.5	152.3	152.4	152.4	154.9	......
51	Nondurable materials n.e.c.	1.14	119.9	120.4	121.7	122.1	126.8	126.1	125.6	123.1	122.9	124.4	122.1	......
52	Energy materials	8.48	120.2	118.8	120.1	119.9	120.8	121.8	121.3	122.3	124.3	125.2	123.8	......
53	Primary energy	4.65	107.1	106.7	107.9	108.4	103.1	107.0	106.0	106.6	109.7	109.1	108.9	......
54	Converted fuel materials	3.82	136.2	133.5	134.9	134.2	142.4	139.9	140.1	141.4	142.0	144.6	142.0	......
	Supplementary groups													
55	Home goods and clothing	9.35	129.4	128.8	129.2	128.1	131.0	131.5	132.2	133.6	134.7	134.2	133.2	133.4
56	Energy, total	12.23	128.8	128.0	128.5	128.3	132.9	132.3	132.1	132.5	133.5	135.3	133.4	134.6
57	Products	3.76	148.2	148.5	147.7	147.3	160.3	156.0	156.5	155.3	154.1	158.0	154.9	......
58	Materials	8.48	120.2	118.8	120.1	119.9	120.8	121.8	121.3	122.3	124.3	125.2	123.8	......

For NOTE see opposite page.

2.13 Continued

	Grouping	SIC code	1967 pro-portion	1976 aver-age	1976 July r	1976 Aug. r	1976 Sept. r	1977 Feb.	1977 Mar.	1977 Apr.	1977 May	1977 June r	1977 July	1977 Aug. p	1977 Sept. e
			Index (1967 100)												
	MAJOR INDUSTRY														
1	*Mining and utilities*		*12.05*	*131.6*	*130.3*	*131.3*	*131.6*	*137.1*	*136.6*	*135.7*	*137.1*	*138.8*	*139.2*	*135.9*	*137.8*
2	Mining		6.36	114.2	112.7	114.0	115.5	116.3	120.6	119.2	119.5	122.8	120.0	117.0	120.4
3	Utilities		5.69	151.0	150.0	150.5	149.6	160.3	154.8	154.0	156.7	156.8	160.7	156.9	157.2
4	Electric		3.88	167.6	166.8	167.6	166.0	179.1	......	......	......	......	......	......	......
5	*Manufacturing*		*87.95*	*129.5*	*130.7*	*131.2*	*130.5*	*132.6*	*135.1*	*135.8*	*137.1*	*137.8*	*138.5*	*138.6*	*138.9*
6	Nondurable		35.97	140.9	140.3	140.4	142.3	145.3	147.0	147.0	148.5	148.4	148.6	149.1	149.2
7	Durable		51.98	121.7	124.0	125.0	122.4	124.0	126.8	128.0	129.3	130.5	131.5	131.2	131.9
	Mining														
8	Metal mining	10	.51	122.8	124.2	124.5	123.2	128.5	133.8	126.1	120.5	121.3	101.9	70.3	......
9	Coal	11,12	.69	117.2	104.8	112.6	121.3	100.8	124.1	118.4	122.4	133.4	120.7	113.6	133.0
10	Oil and gas extraction	13	4.40	112.0	111.9	112.2	113.1	115.8	117.5	117.5	118.3	121.3	120.8	121.5	121.7
11	Stone and earth minerals	14	.75	118.3	116.5	118.8	119.2	124.9	126.1	124.0	123.0	122.5	126.7	125.7	......
	Nondurable manufactures														
12	Foods	20	8.75	132.3	134.5	134.8	134.6	136.4	138.7	138.0	138.3	136.9	138.2	139.0	......
13	Tobacco products	21	.67	117.9	114.5	114.8	115.4	116.8	104.3	112.1	105.2	119.2	114.5	......	......
14	Textile mill products	22	2.68	136.4	137.7	135.1	136.4	132.3	134.4	134.6	136.0	135.4	137.3	135.2	......
15	Apparel products	23	3.31	122.2	120.2	117.5	119.5	124.4	122.2	121.4	123.5	122.1	121.1	......	......
16	Paper and products	26	3.21	133.0	131.0	134.6	132.1	136.5	135.5	136.3	139.5	139.3	139.1	140.5	140.9
17	Printing and publishing	27	4.72	120.6	121.2	120.6	120.6	122.4	124.8	123.4	124.4	124.1	124.9	124.7	125.3
18	Chemicals and products	28	7.74	169.3	167.6	169.7	171.3	174.9	180.0	180.6	182.8	183.5	182.5	183.0	......
19	Petroleum products	29	1.79	133.1	134.1	133.8	133.9	145.2	143.3	143.4	142.4	140.0	140.3	139.1	140.0
20	Rubber & plastic products	30	2.24	200.2	191.2	189.3	212.4	220.3	225.6	226.0	232.4	235.2	235.2	239.5	......
21	Leather and products	31	.86	80.9	81.1	78.3	77.9	75.0	73.8	74.7	76.2	74.1	74.1	75.1	......
	Durable manufactures														
22	Ordnance, pvt. & govt	19,91	3.64	72.7	72.9	73.6	73.0	72.6	72.8	74.6	74.4	74.1	75.0	76.2	75.2
23	Lumber and products	24	1.64	125.1	124.6	127.9	128.7	132.2	132.1	130.6	133.0	132.4	134.0	134.6	......
24	Furniture and fixtures	25	1.37	132.7	131.6	133.8	133.6	137.1	135.1	135.4	137.5	139.9	143.0	140.5	......
25	Clay, glass, stone products	32	2.74	137.1	137.5	137.6	137.9	139.0	143.7	145.0	145.0	147.7	147.9	147.3	......
26	Primary metals	33	6.57	108.9	117.7	118.3	113.0	100.2	108.3	112.2	117.1	114.7	114.4	114.1	114.5
27	Iron and steel	331,2	4.21	104.9	115.0	116.0	108.6	91.3	97.9	103.9	111.0	109.2	110.9	111.0	......
28	Fabricated metal products	34	5.93	123.3	124.6	125.8	126.5	125.8	127.5	127.6	128.2	130.8	131.7	134.0	134.8
29	Nonelectrical machinery	35	9.15	135.0	137.9	136.4	136.8	139.8	139.8	142.9	142.6	144.0	145.7	144.8	145.5
30	Electrical machinery	36	8.05	131.6	131.4	135.4	133.9	137.6	137.6	139.6	141.8	142.6	143.6	143.3	143.8
31	Transportation equipment	37	9.27	110.6	112.8	114.6	104.7	113.4	120.5	119.8	120.3	123.7	125.4	123.5	125.0
32	Motor vehicles & parts	371	4.50	140.7	147.5	149.7	130.6	145.4	161.2	158.1	157.7	163.2	165.8	164.1	166.6
33	Aerospace & misc. tr. eq	372 9	4.77	82.2	80.2	81.6	80.3	83.3	82.3	83.8	85.2	86.5	87.2	85.2	86.0
34	Instruments	38	2.11	148.2	151.3	149.5	148.7	157.0	156.9	157.8	157.4	158.2	159.2	158.5	159.0
35	Miscellaneous mfrs	39	1.51	143.5	148.4	142.3	143.7	147.9	147.4	145.6	148.0	148.4	150.4	147.6	148.2
			Gross value (billions of 1972 dollars, annual rates)												
	MAJOR MARKET														
36	**Products, total**		**[1]507.4**	**550.4**	**552.7**	**555.5**	**548.2**	**569.4**	**578.2**	**578.3**	**582.2**	**585.9**	**589.0**	**587.6**	**589.2**
37	*Final products*		*[1]390.9*	*425.7*	*427.1*	*429.8*	*421.5*	*441.1*	*449.0*	*448.5*	*451.0*	*453.7*	*456.5*	*454.7*	*455.6*
38	Consumer goods		[1]277.5	301.6	301.4	303.5	299.4	312.2	316.8	316.1	316.3	318.9	320.8	318.9	319.2
39	Equipment		[1]113.4	124.0	125.7	126.4	121.9	128.9	132.1	132.6	134.6	134.9	135.7	135.7	136.4
40	Intermediate products		[1]116.6	124.8	125.5	126.0	126.6	128.4	129.1	130.1	131.4	131.8	132.7	133.1	133.5

1 1972 dollars.

NOTE.—Published groupings include some series and subtotals not shown separately. For summary description and historical data, see BULLETIN for June 1976, pp. 470–79. Availability of detailed descriptive and historical data will be announced in a forthcoming BULLETIN.

The industrial production indexes have been revised back to January 1976, on the basis of more complete information now available. A complete set of the revised 1976 series is attached to the September G.12.3 release which may be obtained from the Publications Section, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates. Exceptions noted.

Item	1974	1975	1976	1977 Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July	Aug.[p]
					Private residential real estate activity (thousands of units)					
NEW UNITS										
1 *Permits authorized*	*1,074*	*927*	*1,296*	*1,526*	*1,687*	*1,605*	*1,615*	*1,678*	*1,639*	*1,768*
2 1-family	644	669	894	1,060	1,188	1,051	1,077	1,105	1,089	1,138
3 2-or-more-family	431	278	402	466	499	554	538	573	550	630
4 *Started*	*1,338*	*1,160*	*1,540*	*1,802*	*2,089*	*1,880*	*1,937*	*1,897*	*2,076*	*2,022*
5 1-family	888	892	1,163	1,424	1,503	1,413	1,455	1,389	1,446	1,440
6 2-or-more-family	450	268	377	378	586	467	482	508	630	582
7 *Under construction, end of period* [1]	*1,189*	*1,003*	*r1,147*	*1,215*	*1,237*	*1,268*	*1,302*	*1,324*	*1,347*	....
8 1-family	516	531	r655	710	732	748	771	788	796	....
9 2-or-more-family	673	472	r492	505	505	520	532	536	551	....
10 *Completed*	*1,692*	*1,297*	*1,362*	*1,637*	*1,707*	*1,540*	*1,536*	*1,638*	*1,648*	....
11 1-family	931	866	1,026	1,242	1,236	1,226	1,177	1,198	1,251	....
12 2-or-more-family	760	430	336	395	471	314	359	440	397	....
13 Mobile homes shipped	329	213	250	275	275	252	251	264	251	253
Merchant builder activity in 1-family units:										
14 Number sold	501	544	639	893	867	775	771	799	672	....
15 Number for sale, end of period [1]	407	383	433	434	435	441	441	444	454	....
Price (thous. of dollars) [2]										
Median:										
16 Units sold	35.9	39.3	44.2	47.4	46.2	48.7	49.4	48.9	49.1	....
17 Units for sale	36.2	38.9	41.6	42.1	42.9	43.3	43.9	44.4	44.8	....
Average:										
18 Units sold	38.9	42.5	48.1	52.6	51.6	54.6	54.4	54.1	53.9	55.0
EXISTING UNITS (1-family)										
19 Number sold	2,272	2,452	3,002	3,080	3,410	3,300	3,450	3,420	3,510	3,720
Price of units sold (thous. of dollars): [2]										
20 Median	32.0	35.3	38.1	40.7	41.0	42.0	42.2	43.4	43.7	43.9
21 Average	35.8	39.0	42.2	45.1	45.5	46.5	46.8	47.7	48.0	48.1
					Value of new construction [3] (millions of dollars)					
CONSTRUCTION										
22 Total put in place	**138,499**	**134,293**	**147,481**	**156,879**	**163,790**	**167,605**	**172,239**	**174,378**	**172,512**	**170,893**
23 *Private*	*100,165*	*93,624*	*109,499*	*122,395*	*128,387*	*131,421*	*133,816*	*135,026*	*133,358*	*133,321*
24 Residential	50,377	46,472	60,519	72,124	76,677	79,616	82,542	82,181	79,977	79,670
25 Nonresidential, total	49,788	47,152	48,980	50,271	51,710	51,805	51,274	52,845	53,381	53,651
Buildings:										
26 Industrial	7,902	8,017	7,182	6,262	7,162	7,279	7,184	7,066	7,210	7,881
27 Commercial	15,945	12,804	12,757	12,542	13,677	13,851	13,760	15,235	15,533	15,232
28 Other	5,797	5,585	6,155	6,061	5,850	6,271	6,077	6,206	6,474	6,423
29 Public utilities and other	20,144	20,746	22,886	25,406	25,021	24,404	24,253	24,338	24,164	24,115
30 *Public*	*38,333*	*40,669*	*37,982*	*34,483*	*35,403*	*36,184*	*38,423*	*39,352*	*39,154*	*37,572*
31 Military	1,188	1,392	1,508	1,552	1,452	1,494	1,642	1,566	1,537	1,448
32 Highway	12,066	10,861	9,756	8,416	9,153	9,052	9,835	10,792	9,067	....
33 Conservation and development	2,740	3,256	3,722	3,871	3,675	4,012	3,562	3,196	4,235	....
34 Other [4]	22,339	25,160	22,996	20,644	21,123	21,626	23,384	23,798	24,315	....

1 Not at annual rates.
2 Not seasonally adjusted.
3 Value of new construction data in recent periods may not be strictly comparable with data in prior periods due to changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.
4 Beginning Jan. 1977 Highway imputations are included in Other.

NOTE.—Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are for 14,000 jurisdictions reporting to the Census Bureau.

2.15 CONSUMER AND WHOLESALE PRICES

Percentage changes based on seasonally adjusted data, except as noted.

Item	12 months to—		3 months (at annual rate) to—				1 month to—					Index level Aug. 1977 (1967 = 100)[1]
	1976 Aug.	1977 Aug.	1976 Sept.	1976 Dec.	1977 Mar.	1977 June	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.	
	Consumer prices											
1 **All items**	**5.6**	**6.6**	**5.3**	**4.2**	**10.0**	**8.1**	**.8**	**.6**	**.6**	**.4**	**.3**	**183.3**
2 *Commodities*	*3.9*	*5.8*	*3.9*	*3.4*	*10.4*	*7.4*	*.8*	*.5*	*.5*	*.1*	*.3*	*176.3*
3 Food	2.4	7.0	1.6	....	14.6	12.7	1.5	.7	.8	.1	.3	195.2
4 Commodities less food	4.8	5.1	5.5	5.7	7.4	4.2	.4	.4	.2	.1	.3	166.0
5 Durable	6.0	5.1	5.0	6.0	10.5	2.5	.5	.2	.1	0.0	.1	164.3
6 Nondurable	4.0	5.2	6.0	5.4	5.5	5.2	.3	.5	.4	-.3	.4	167.3
7 *Services*	*8.6*	*8.0*	*7.5*	*5.1*	*9.8*	*9.4*	*.8*	*.7*	*.8*	*.8*	*.5*	*196.3*
8 Rent	5.5	6.0	5.4	5.3	6.3	6.3	.7	.4	.5	.6	.5	154.4
9 Services less rent	9.1	8.2	7.7	5.4	10.4	9.7	.8	.7	.8	.8	.5	203.9
Other groupings:												
10 All items less food[1]	6.7	6.5	7.4	5.3	6.9	7.8	.7	.6	.6	.4	.4	179.9
11 All items less shelter[1]	5.5	6.5	5.6	4.3	9.4	8.4	.8	.5	.7	.3	.3	180.8
12 Homeownership[1]	5.8	7.2	8.0	1.2	9.1	9.6	.9	.6	.8	1.1	.6	207.4
	Wholesale prices											
13 **All commodities**	**4.0**	**5.9**	**3.5**	**7.1**	**10.2**	**3.6**	**1.1**	**.4**	**.7**	**.1**	**.1**	**194.6**
14 *Farm products, and processed foods and feeds*	*3.9*	*1.4*	*12.0*	*6.6*	*19.1*	*-2.5*	*2.9*	*.3*	*3.6*	*2.1*	*-2.1*	*184.2*
15 Farm products	-1.8	-4.5	11.9	5.8	26.0	21.6	3.4	-2.3	6.8	-1.8	-4.3	181.2
16 Processed foods and feeds	-5.2	4.8	11.8	6.5	15.6	10.8	2.5	1.8	-1.7	2.4	-.8	185.1
17 *Industrial commodities*	*6.7*	*7.1*	*8.0*	*7.6*	*7.9*	*5.3*	*.6*	*.4*	*.3*	*.5*	*.5*	*196.9*
Materials, supplies, and components of which:												
18 Crude materials[2]	12.9	11.2	10.6	21.6	21.9	-2.0	.3	.8	-1.6	0.0	1.9	283.4
19 Intermediate materials[3]	6.7	7.1	8.3	7.1	8.0	4.7	.6	.3	.2	.6	.5	204.9
Finished goods, excluding foods:												
20 Consumer	5.5	6.4	7.7	5.2	8.5	6.5	.7	.5	.4	.2	.3	172.9
21 Durable	4.5	5.9	5.1	3.3	7.0	6.0	.7	.4	.3	.3	1.0	152.1
22 Nondurable	6.1	6.7	9.1	6.5	9.5	7.0	.7	.5	.5	.2	0.0	186.8
23 Producer	6.2	6.7	4.7	9.5	5.3	6.3	.6	.6	.4	.4	.4	184.7
MEMO:												
24 Consumer foods	-3.3	6.9	-13.1	8.4	12.7	13.8	2.5	2.1	-1.3	-.7	.9	190.0

1 Not seasonally adjusted.

2 Excludes crude foodstuffs and feedstuffs, plant and animal fibers, oilseeds, and leaf tobacco.

3 Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE.—Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1974	1975	1976	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2
	Gross national product								
1 **Total**	**1,412.9**	**1,528.8**	**1,706.5**	**1,651.2**	**1,691.9**	**1,727.3**	**1,755.4**	**1,810.8**	**[r]1,869.9**
By source:									
2 *Personal consumption expenditures*	*889.6*	*980.4*	*1,094.0*	*1,056.0*	*1,078.5*	*1,102.2*	*1,139.0*	*1,172.4*	*1,194.0*
3 Durable goods	122.0	132.9	158.9	153.3	156.7	159.3	166.3	177.0	178.6
4 Nondurable goods	376.3	409.3	442.7	430.4	437.1	444.7	458.8	466.6	474.4
5 Services	391.3	438.2	492.3	472.4	484.6	498.2	513.9	528.8	541.1
6 *Gross private domestic investment*	*214.6*	*189.1*	*243.3*	*231.3*	*244.4*	*254.3*	*243.4*	*271.8*	*294.9*
7 Fixed investment	205.7	200.6	230.0	216.8	226.1	232.8	244.3	258.0	273.2
8 *Nonresidential*	*150.6*	*149.1*	*161.9*	*155.4*	*159.8*	*164.9*	*167.6*	*177.0*	*182.4*
9 Structures	54.5	52.9	55.8	54.7	55.8	56.0	57.0	57.9	61.0
10 Producers' durable equipment	96.2	96.3	106.1	100.8	104.0	109.0	110.6	119.2	121.4
11 Residential structures	55.1	51.5	68.0	61.4	66.3	67.8	76.7	81.0	90.8
12 Nonfarm	52.7	49.5	65.7	58.9	64.1	65.7	74.3	78.5	88.2
13 Change in business inventories	8.9	−11.5	13.3	14.5	18.3	21.5	−.9	13.8	21.7
14 Nonfarm	10.8	−15.1	14.9	15.9	20.4	22.0	1.4	14.1	22.4
15 *Net exports of goods and services*	*6.0*	*2.0*	*7.8*	*10.2*	*10.2*	*7.9*	*3.0*	*−8.2*	*[r]−9.7*
16 Exports	137.9	147.3	162.9	153.9	160.6	168.4	168.5	170.4	[r]178.1
17 Imports	131.9	126.9	155.1	143.7	150.4	160.6	165.6	178.6	[r]187.7
18 *Govt. purchases of goods and services*	*302.7*	*338.9*	*361.4*	*353.6*	*358.9*	*363.0*	*370.0*	*374.9*	*390.6*
19 Federal	111.1	123.3	130.1	127.6	128.5	130.2	134.2	136.3	143.6
20 State and local	191.5	215.6	231.2	225.9	230.4	232.7	235.8	238.5	247.0
By major type of product:									
21 Final sales, total	1,404.0	1,540.3	1,693.1	1,636.7	1,673.7	1,705.8	1,756.3	1,797.0	[r]1,848.2
22 *Goods*	*638.6*	*686.2*	*764.2*	*744.6*	*761.7*	*746.0*	*774.7*	*805.9*	*827.1*
23 Durable goods	247.8	258.2	303.4	285.6	301.9	313.4	312.6	334.4	341.0
24 Nondurable	390.8	428.0	460.9	459.0	459.7	464.1	460.6	471.5	486.1
25 Services	626.8	699.2	782.0	751.6	770.8	791.8	813.8	833.7	[r]855.3
26 Structures	147.4	143.5	160.2	155.0	159.4	159.6	166.9	171.2	187.5
27 Change in business inventories	8.9	−11.5	13.3	14.5	18.3	21.5	−.9	13.8	21.7
28 Durable goods	7.1	−9.2	4.1	−2.0	7.0	10.7	.6	7.8	11.5
29 Nondurable goods	1.8	−2.2	9.3	16.6	11.2	12.4	−3.1	6.0	10.2
30 MEMO: **Total GNP in 1972 dollars**	**1,217.8**	**1,202.1**	**1,274.7**	**1,256.0**	**1,271.5**	**1,283.7**	**1,287.4**	**1,311.0**	**[r]1,330.7**
	National income								
31 **Total**	**1,136.0**	**1,217.0**	**1,364.1**	**1,321.0**	**1,353.9**	**1,379.6**	**1,402.1**	**1,450.2**	**[r]1,505.7**
32 Compensation of employees	875.8	930.3	1,036.3	999.6	1,024.9	1,046.5	1,074.2	1,109.9	1,144.7
33 *Wages and salaries*	*764.1*	*805.7*	*891.8*	*861.5*	*882.4*	*900.2*	*923.2*	*951.3*	*980.9*
34 Government and Government enterprises	160.0	175.4	187.2	182.7	185.4	188.2	192.5	194.8	197.2
35 Other	604.1	630.3	704.6	678.8	697.0	712.0	730.7	756.4	783.6
36 *Supplement to wages and salaries*	*111.7*	*124.6*	*144.5*	*138.1*	*142.5*	*146.3*	*150.9*	*158.6*	*163.8*
37 Employer contributions for social insurance	56.1	59.8	68.6	66.4	68.0	69.1	70.9	75.4	77.1
38 Other labor income	55.6	64.9	75.9	71.7	74.5	77.3	80.0	83.2	86.7
39 *Proprietors' income*[1]	*86.4*	*86.0*	*88.0*	*86.9*	*90.4*	*86.2*	*88.7*	*95.1*	*97.0*
40 Business and professional[1]	60.9	62.8	69.4	66.9	68.8	70.0	72.0	74.3	77.3
41 Farm[1]	25.4	23.2	18.6	20.0	21.6	16.2	16.6	20.7	19.7
42 Rental income of persons[2]	21.4	22.3	23.3	23.0	22.9	23.3	24.1	24.5	24.9
43 Corporate profits[1]	83.6	99.3	128.1	126.5	129.2	133.5	123.1	125.4	[r]140.2
44 Profits before tax[3]	126.9	123.5	156.9	153.5	159.2	159.9	154.8	161.7	[r]174.0
45 Inventory valuation adjustment	−40.4	−12.0	−14.1	−12.4	−15.5	−11.7	−16.9	−20.6	−17.8
46 Capital consumption adjustment	−2.9	−12.2	−14.7	−14.6	−14.6	−14.7	−14.8	−15.6	−15.9
47 Net interest	69.0	79.1	88.4	85.0	86.5	90.1	92.0	95.3	98.9

1 With inventory valuation and capital consumption adjustments.
2 With capital consumption adjustments.
3 For after-tax profits, dividends, etc., see Table 1.50.

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

2.17 PERSONAL INCOME AND SAVING

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

Account	1974	1975	1976	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2
					Personal income and saving				
1 **Total personal income**	**1,154.9**	**1,253.4**	**1,382.7**	**1,338.1**	**1,366.7**	**1,393.9**	**1,432.2**	**1,476.8**	**1,517.2**
2 *Wage and salary disbursements*	*764.6*	*805.7*	*891.8*	*861.5*	*882.4*	*900.2*	*923.2*	*951.3*	*980.9*
3 Commodity-producing industries	274.6	275.0	308.4	298.6	306.7	310.8	317.7	328.9	345.4
4 Manufacturing	211.4	211.0	238.2	230.6	236.7	240.2	245.1	255.4	265.9
5 Distributive industries	184.3	195.4	217.1	208.2	213.7	220.2	226.4	234.5	240.5
6 Service industries	145.1	159.9	179.0	172.0	176.6	180.9	186.7	193.0	197.7
7 Government and government enterprises	160.5	175.4	187.2	182.7	185.4	188.2	192.5	194.8	197.2
8 Other labor income	55.6	64.9	75.9	71.7	74.5	77.3	80.0	83.2	86.7
9 *Proprietors' income*[1]	*86.2*	*86.0*	*88.0*	*86.9*	*90.4*	*86.2*	*88.7*	*95.1*	*97.0*
10 Business and professional[1]	60.9	62.8	69.4	66.9	68.8	70.0	72.0	74.3	77.3
11 Farm[1]	25.4	23.2	18.6	20.0	21.6	16.2	16.6	20.7	19.7
12 Rental income of persons[2]	21.4	22.3	23.3	23.0	22.9	23.3	24.1	24.5	24.9
13 Dividends	31.0	32.4	35.8	33.6	35.0	36.0	38.4	38.5	40.3
14 Personal interest income	103.0	115.6	130.3	125.0	127.5	132.2	136.4	140.3	145.4
15 Transfer payments	140.8	176.8	192.8	190.3	188.7	194.3	198.0	203.5	203.0
16 Old-age survivors, disability, and health insurance benefits	70.1	81.4	92.9	88.1	89.3	95.8	98.4	99.9	101.8
17 LESS: Personal contributions for social insurance	47.7	50.4	55.2	53.9	54.8	55.6	56.6	59.6	60.8
18 EQUALS: Personal income	1,154.9	1,253.4	1,382.7	1,338.1	1,366.7	1,393.9	1,432.2	1,476.8	1,517.2
19 LESS: Personal tax and nontax payments	170.3	169.0	196.9	184.8	192.6	200.6	209.5	224.4	224.8
20 EQUALS: Disposable personal income	984.6	1,084.4	1,185.8	1,153.3	1,174.1	1,193.3	1,222.6	1,252.4	1,292.5
21 LESS: Personal outlays	913.0	1,004.2	1,119.9	1,080.9	1,103.8	1,128.5	1,166.3	1,201.0	1,223.9
22 EQUALS: Personal saving	71.7	80.2	65.9	72.4	70.3	64.8	56.3	51.4	68.5
MEMO ITEMS: Per capita (1972 dollars):									
23 Gross national product	5,746	5,629	5,924	5,853	5,916	5,961	5,966	6,064	6,143
24 Personal consumption expenditures	3,589	3,629	3,817	3,761	3,794	3,820	3,892	3,934	3,943
25 Disposable personal income	3,973	4,014	4,137	4,107	4,130	4,135	4,177	4,202	4,268
26 Saving rate (per cent)	7.3	7.4	5.6	6.3	6.0	5.4	4.6	4.1	5.3
					Gross saving				
27 **Gross private saving**	**209.5**	**259.4**	**272.5**	**276.0**	**275.4**	**277.2**	**261.6**	**262.9**	**r292.1**
28 Personal saving	71.7	80.2	65.9	72.4	70.3	64.8	56.3	51.4	68.5
29 Undistributed corporate profits[1]	.2	16.7	27.6	29.8	28.0	31.6	20.8	22.5	r30.3
30 Corporate inventory valuation adjustment	−40.4	−12.0	−14.1	−12.4	−15.5	−11.7	−16.9	−20.6	−17.8
Capital consumption allowances:									
31 Corporate	84.6	101.7	111.8	108.7	110.4	112.9	115.2	117.6	119.4
32 Noncorporate	53.1	60.8	67.2	65.1	66.6	68.0	69.2	71.4	73.8
33 Wage accruals less disbursements	....	....	....	....	....	....	....	....	....
34 *Government surplus, or deficit (−), national income and product accounts*	*−3.2*	*−64.3*	*−35.6*	*−47.1*	*−33.3*	*−32.4*	*−29.4*	*−11.5*	*r14.9*
35 Federal	−10.7	−70.2	−54.0	−60.3	−46.2	−53.5	−55.9	−38.8	r40.3
36 State and local	7.6	5.9	18.4	13.3	12.9	21.1	26.5	27.3	25.4
37 Capital grants received by the United States, net	....	....	....	....	....	....	....	....	....
38 *Investment*	*210.1*	*201.0*	*242.5*	*233.1*	*246.5*	*252.8*	*237.5*	*254.7*	*r276.1*
39 Gross private domestic	214.6	189.1	243.3	231.3	244.4	254.1	243.3	271.8	294.9
40 Net foreign	−4.5	11.8	−.9	1.8	2.2	−1.5	−5.9	−17.1	r−18.8
41 Statistical discrepancy	5.8	5.9	5.5	4.2	4.5	8.0	5.3	3.3	r−1.2

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

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1974	1975	1976[r]	1976[r] Q1	1976[r] Q2	1976[r] Q3	1976[r] Q4	1977[r] Q1	1977[r] Q2
1 Merchandise exports	98,306	107,088	114,694	27,000	28,380	29,603	29,711	29,458	30,488
2 Merchandise imports	103,673	98,043	124,014	28,343	29,955	32,411	33,305	36,561	38,347
3 Merchandise trade balance [2]	-5,367	9,045	-9,320	1,343	-1,575	-2,808	-3,594	-7,103	7,859
4 Military transactions, net	-2,083	876	366	-65	-39	235	235	516	464
5 Investment income, net	8,744	5,954	9,808	2,437	2,280	2,667	2,424	3,252	3,401
6 Other service transactions, net	865	2,042	2,743	523	839	781	598	340	629
7 Balance on goods and services [3]	**2,160**	**16,164**	**3,596**	**1,552**	**1,505**	**875**	**-337**	**2,995**	**-3,365**
8 Remittances, pensions, and other transfers	1,714	-1,719	-1,878	-485	459	461	473	526	-505
9 U.S. Govt. grants (excluding military)	5,475	-2,893	-3,146	-544	556	1,475	572	637	-735
10 Balance on current account	**-5,028**	**11,552**	**1,427**	**523**	**490**	**-1,061**	**-1,382**	**-4,158**	**4,605**
11 *Not seasonally adjusted*	......	......	......	*1,458*	*621*	*-3,809*	*303*	*3,409*	*-4,812*
12 Change in U.S. Govt. assets, other than official reserve assets, net (increase, -)	365	-3,463	4,213	723	-944	-1,405	-1,142	-909	-827
13 *Change in U.S. official reserve assets (increase, -)*	*-1,434*	*-607*	*2,530*	*773*	*-1,578*	*-407*	*-228*	*388*	*6*
14 Gold	......	......	......	......	......	......	......	-58	......
15 SDR's	172	66	78	45	14	18	29	......	-83
16 Reserve position in IMF	-1,265	-466	-2,212	-237	-798	716	-461	389	80
17 Foreign currencies	3	-75	-240	491	-794	327	718	59	169
18 Change in U.S. private assets abroad (increase, -)	**25,960**	**-27,478**	**36,216**	**-9,254**	**-7,257**	**-6,597**	**13,108**	**1,627**	**-10,952**
19 *Bank-reported claims*	*19,516*	*13,532*	*-20,904*	*-3,630*	*4,754*	*3,372*	*9,148*	*3,446*	*5,426*
20 Long-term	-1,183	-2,357	2,124	-289	-377	-978	-480	-306	-28
21 Short-term	18,333	11,175	-18,780	3,341	4,377	2,394	8,668	3,752	5,398
22 *Nonbank-reported claims*	*-3,221*	*-1,447*	*-1,986*	*-738*	*-1,004*	*723*	*967*	*-722*	*-1,179*
23 Long-term	474	432	10	191	145	66	10	45	85
24 Short-term	-2,747	-1,015	1,996	-547	1,149	657	-957	-767	-1,264
25 U.S. purchase of foreign securities, net	1,854	6,236	8,730	-2,460	1,357	2,743	2,171	-692	1,746
26 U.S. direct investments abroad, net	-1,368	6,264	4,596	-2,427	-142	-1,205	-822	-404	-2,602
27 *Change in foreign official assets in the United States (increase, +)*	*10,981*	*6,960*	*17,945*	*3,847*	*4,051*	*3,070*	*6,977*	*5,719*	*6,935*
28 U.S. Treasury securities	3,282	4,408	9,333	1,998	2,166	1,260	3,909	5,149	4,757
29 Other U.S. Govt. obligations	902	905	566	68	316	66	116	100	588
30 Other U.S. Govt. liabilities [4]	724	1,701	4,938	1,524	743	1,819	852	712	307
31 Other U.S. liabilities reported by U.S. banks	5,818	-2,158	893	412	135	-599	1,769	420	410
32 Other foreign official assets [5]	254	2,104	2,215	669	691	524	331	178	873
33 Change in foreign private assets in the United States (increase, +)	**22,631**	**7,376**	**16,575**	**3,009**	**3,333**	**5,132**	**5,102**	**-3,209**	**6,056**
34 *U.S. bank-reported liabilities*	*16,017*	*628*	*10,982*	*672*	*3,528*	*1,774*	*5,008*	*-5,298*	*6,321*
35 Long-term	9	-280	175	-105	-16	75	221	47	98
36 Short-term	16,008	908	10,807	777	3,544	1,699	4,787	-5,345	6,223
37 *U.S. nonbank-reported liabilities*	*1,844*	*240*	*-616*	*161*	*-238*	*297*	*242*	*-374*	*-298*
38 Long-term	-90	334	947	233	-162	241	311	229	-102
39 Short-term	1,934	-94	331	394	-76	-56	69	145	196
40 Foreign private purchases of U.S. Treasury securities, net	697	2,590	2,783	437	-592	3,026	88	1,047	1,273
41 Foreign purchases of other U.S. securities, net	378	2,503	1,250	1,030	131	68	21	879	820
42 Foreign direct investments in the United States, net	3,695	1,414	2,176	709	504	561	403	537	486
43 Allocation of SDR's	......	......	......	......	......	......	......	......	......
44 *Discrepancy*	*1,555*	*5,660*	*9,866*	*3,372*	*1,905*	*1,268*	*3,325*	*1,317*	*3,388*
45 Owing to seasonal adjustments	......	......	......	717	129	-2,622	1,780	-524	205
46 Statistical discrepancy in recorded data before seasonal adjustment	-1,555	5,660	9,866	2,655	1,776	3,890	1,545	793	3,593
MEMO ITEMS:									
Changes in official assets:									
47 U.S. official reserve assets (increase, -)	1,434	-607	-2,530	-773	-1,578	-407	228	388	6
48 Foreign official assets in the U.S. (increase, +)	10,257	5,259	13,007	2,323	3,308	1,251	6,125	5,007	6,628
49 Changes in OPEC official assets in the U.S. (part of line 27 above)	10,841	7,092	9,324	3,482	3,263	1,774	805	3,249	824
50 Transfers under military grant programs (excluded from lines 1, 4, and 9 above)	1,817	2,217	386	50	86	156	94	46	28

1 Seasonal factors are no longer calculated for lines 13 through 50.

2 Data are on an international accounts (IA) basis. Differs from the Census basis primarily because the IA basis includes imports into the U.S. Virgin Islands, and it excludes military exports, which are part of Line 4.

3 Differs from the definition of "net exports of goods and services" in the national income and product (GNP) account. The GNP definition excludes certain military sales to Israel from exports and excludes U.S. Govt. interest payments from imports.

4 Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

5 Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

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

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1974	1975	1976	1977 Feb.	Mar.	Apr.	May	June	July	Aug.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	97,908	107,130	114,802	9,808	10,072	9,970	10,395	10,112	10,150	9,563
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	100,252	96,115	120,678	11,674	12,459	12,593	11,616	12,932	12,476	12,232
3 **Trade balance**	**-2,344**	**+11,014**	**-5,876**	**1,866**	**-2,387**	**2,623**	**1,221**	**-2,820**	**2,326**	**2,669**

NOTE. Bureau of Census data reported on a free-alongside-ship (f.a.s.) value basis. Before 1974 imports were reported on a customs import value basis. For calendar year 1974 the f.a.s. import value was $100.3 billion, about 0.7 per cent less than the corresponding customs import value. The international-accounts-basis data shown in Table 3.10 adjust the Census basis data for reasons of coverage and timing. On the *export side*, the largest adjustments are: (a) the addition of exports to Canada not covered in Census statistics, and (b) the exclusion of military exports (which are combined with other military transactions and are reported separately in the "service account"). On the *import* side, the largest single adjustment is the addition of imports into the Virgin Islands (largely oil for a refinery on St. Croix), which are not included in Census statistics.

SOURCE. FT 900 "Summary of U.S. Export and Import Merchandise Trade" (U.S. Dept. of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1974	1975	1976	1977 Mar.	Apr.	May	June	July	Aug.	Sept.[p]
1 **Total**	**15,883**	**16,226**	**18,747**	**19,120**	**18,868**	**19,195**	**19,156**	**18,927**	**19,055**	[3] **18,988**
2 Gold stock, including Exchange Stabilization Fund[1]	11,652	11,599	11,598	11,658	11,658	11,658	11,658	11,658	11,658	11,658
3 Special Drawing Rights[2]	2,374	2,335	2,395	2,389	2,384	2,470	2,486	2,498	2,483	[3] 2,489
4 Reserve position in International Monetary Fund	1,852	2,212	4,434	4,812	4,720	4,972	4,920	4,716	4,859	[3] 4,776
5 Convertible foreign currencies	5	80	320	261	106	95	92	55	55	65

[1] Gold held under earmark at F.R. Banks for foreign and international accounts is not included in the gold stock of the United States; see Table 3.24.

[2] Includes allocations by the International Monetary Fund of SDR's as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; and $710 million on Jan. 1, 1972; plus net transactions in SDR's.

[3] Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of 16 member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974. At valuation used prior to July 1974 (SDR1 = $1.20635) total U.S. reserve assets at end of Sept. amounted to $19,134; SDR holdings, $2,581, and reserve position in IMF, $4,830.

3.13 SELECTED U.S. LIABILITIES TO FOREIGNERS

Millions of dollars, end of period

Holder, and type of liability	1974	1975	1976	1977						
				Feb.	Mar.	Apr.	May	June	July[p]	Aug.[p]
1 **Total**	**119,164**	**126,552**	**151,356**	**149,241**	**151,871**	**157,020**	**161,224**	**163,096**	**168,545**	**166,087**
2 **Foreign countries**	**115,842**	**120,929**	**142,873**	**141,256**	**143,770**	**149,306**	**152,532**	**154,913**	**162,124**	**158,930**
3 *Official institutions*[1]	*76,823*	*80,712*	*91,975*	*93,972*	*96,788*	*99,748*	*101,546*	*103,099*	*107,150*	*107,560*
4 Short-term, reported by banks in the United States.[2]	53,079	49,530	53,619	54,910	56,046	57,486	58,260	57,413	60,059	56,773
U.S. Treasury bonds and notes:										
5 Marketable[3]	5,059	6,671	11,788	12,725	13,772	14,694	15,846	17,808	18,856	22,522
6 Nonmarketable[4]	16,339	19,976	20,648	20,495	21,106	20,976	20,950	20,917	20,837	20,655
7 Other readily marketable liabilities[5]	2,346	4,535	5,920	5,842	5,864	6,592	6,490	6,961	7,398	7,610
Commercial banks abroad:										
8 Short-term, reported by banks in the United States[2,6]	30,106	29,516	37,329	33,116	32,816	35,356	36,239	36,677	40,016	36,028
9 *Other foreigners*	*8,913*	*10,701*	*13,569*	*14,141*	*14,166*	*14,202*	*14,747*	*15,137*	*14,958*	*15,260*
10 Short-term, reported by banks in the United States[2]	8,415	10,000	12,592	13,120	13,008	12,873	13,393	13,615	13,376	13,666
11 Marketable U.S. Treasury bonds and notes[3,7]	498	701	977	1,021	1,158	1,329	1,354	1,522	1,582	1,676
12 **Nonmonetary international and regional organization**[8]	**3,322**	**5,623**	**8,483**	**7,985**	**8,101**	**7,714**	**8,692**	**8,183**	**6,421**	**7,157**
13 Short-term, reported by banks in the United States[2]	3,171	5,292	5,450	3,918	4,282	5,287	6,557	5,727	3,835	4,217
14 Marketable U.S. Treasury bonds and notes[3]	151	331	3,033	4,067	3,819	2,427	2,135	2,456	2,586	2,940

1 Includes Bank for International Settlements.
2 Includes Treasury bills as shown in Table 3.15.
3 Derived by applying reported transactions to benchmark data.
4 Excludes notes issued to foreign official nonreserve agencies.
5 Includes long-term liabilities reported by banks in the United States and debt securities of U.S. Federally sponsored agencies and U.S. corporations.
6 Includes short-term liabilities payable in foreign currencies to commercial banks abroad and to other foreigners.
7 Includes marketable U.S. Treasury bonds and notes held by commercial banks abroad and other foreigners.
8 Principally the International Bank for Reconstruction and Development and the Inter-American and Asian Development Banks.

NOTE.—Based on Treasury Dept. data and on data reported to the Treasury Dept. by banks (including Federal Reserve banks) and brokers in the United States. Data exclude the holdings of dollars of the International Monetary Fund derived from payments of the U.S. subscription, and from the exchange transactions and other operations of the IMF. Data also exclude U.S. Treasury letters of credit and nonnegotiable, non-interest-bearing special U.S. notes held by nonmonetary international and regional organizations.

3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Area	1974	1975	1976	1977						
				Feb.	Mar.	Apr.	May	June	July[p]	Aug.[p]
1 **Total**	**76,823**	**80,712**	**91,975**	**93,972**	**96,788**	**99,748**	**101,546**	**103,099**	**107,150**	**107,560**
2 Western Europe[1]	44,328	45,701	45,882	46,136	47,929	48,733	50,048	52,789	55,219	57,277
3 Canada	3,662	3,132	3,406	2,844	2,684	2,752	2,798	2,699	2,653	2,557
4 Latin American republics	4,419	4,450	4,906	4,595	4,834	4,396	4,672	4,240	4,338	4,248
5 Asia	18,627	22,551	34,108	36,474	37,730	39,946	40,331	39,835	41,163	40,329
6 Africa	3,160	2,983	1,893	1,770	1,628	1,883	1,821	1,938	2,460	2,265
7 Other countries[2]	2,627	1,895	1,780	2,153	1,983	2,038	1,876	1,600	1,317	884

1 Includes Bank for International Settlements.
2 Includes countries in Oceania and Eastern Europe, and Western European dependencies in Latin America.

NOTE.—Data represent breakdown by area of line 3, Table 3.13.

3.15 SHORT-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States
By Holder and by Type of Liability
Millions of dollars, end of period

	Holder, and type of liability	1974	1975	1976	1977						
					Feb.	Mar.	Apr.	May	June	July[p]	Aug.[p]
1	**All foreigners, excluding the International Monetary Fund**	**94,771**	**94,338**	**108,990**	**105,064**	**106,152**	**111,002**	**114,449**	**113,432**	**117,286**	**110,684**
2	*Payable in dollars*	*94,004*	*93,780*	*108,266*	*104,249*	*105,291*	*110,194*	*113,796*	*112,758*	*116,326*	*109,792*
	Deposits:										
3	Demand	14,051	13,564	16,803	16,098	15,101	15,382	16,732	16,272	17,496	15,946
4	Time[1]	9,932	10,250	11,316	11,319	11,244	11,282	11,612	12,082	11,843	11,178
5	U.S. Treasury bills and certificates[2]	35,662	37,414	40,744	42,669	43,498	44,661	45,463	44,110	44,413	42,243
6	Other short-term liabilities[3]	34,359	32,552	39,403	34,164	35,448	38,869	39,990	40,294	42,574	39,825
7	*Payable in foreign currencies*	*766*	*558*	*724*	*815*	*861*	*809*	*653*	*675*	*960*	*892*
8	**Nonmonetary international and regional organizations[4]**	**3,171**	**5,293**	**5,450**	**3,918**	**4,283**	**5,287**	**6,557**	**5,728**	**3,834**	**4,217**
9	*Payable in dollars*	*3,171*	*5,284*	*5,445*	*3,912*	*4,279*	*5,284*	*6,551*	*5,715*	*3,819*	*4,179*
	Deposits:										
10	Demand	139	139	290	216	203	119	172	228	122	142
11	Time[1]	111	148	205	237	241	207	167	156	154	147
12	U.S. Treasury bills and certificates	497	2,554	2,701	2,779	2,743	2,849	2,977	2,521	2,191	1,990
13	Other short-term liabilities[5]	2,424	2,443	2,250	680	1,093	2,109	3,234	2,811	1,352	1,901
14	*Payable in foreign currencies*	....	*8*	*5*	*6*	*3*	*3*	*6*	*13*	*15*	*38*
15	**Official institutions, banks, and other foreigners**	**91,600**	**89,046**	**103,540**	**101,146**	**101,870**	**105,715**	**107,892**	**107,705**	**113,451**	**106,467**
16	*Payable in dollars*	*90,834*	*88,497*	*102,821*	*100,337*	*101,012*	*104,910*	*107,246*	*107,043*	*112,507*	*105,613*
	Deposits:										
17	Demand	13,912	13,426	16,513	15,882	14,898	15,262	16,559	16,044	17,374	15,804
18	Time[1]	9,796	10,102	11,112	11,081	11,003	11,076	11,445	11,926	11,689	11,631
19	U.S. Treasury bills and certificates[2]	35,165	34,860	38,042	39,889	40,755	41,812	42,485	41,589	42,221	40,253
20	Other short-term liabilities[3]	31,961	30,109	37,153	33,484	34,355	36,760	36,756	37,483	41,222	37,925
21	*Payable in foreign currencies*	*766*	*549*	*719*	*809*	*858*	*805*	*647*	*662*	*945*	*854*
22	**Official institutions[6]**	**53,079**	**49,530**	**53,619**	**54,910**	**56,046**	**57,486**	**58,260**	**57,413**	**60,059**	**56,773**
23	*Payable in dollars*	*52,952*	*49,530*	*53,619*	*54,910*	*56,046*	*57,486*	*58,260*	*57,413*	*60,059*	*56,773*
	Deposits:										
24	Demand	2,951	2,644	3,394	2,406	2,638	2,747	2,676	2,705	3,642	3,122
25	Time[1]	4,167	3,423	2,321	2,408	2,266	2,335	2,441	2,506	2,401	2,241
26	U.S. Treasury bills and certificates[2]	34,656	34,199	37,725	39,559	40,399	41,508	42,197	41,322	41,926	39,810
27	Other short-term liabilities[5]	11,178	9,264	10,179	10,537	10,744	10,896	10,947	10,880	12,090	11,600
28	*Payable in foreign currencies*	*127*	....	....	....	....	....	....	....	....	....
29	**Banks and other foreigners**	**38,520**	**39,515**	**49,921**	**46,236**	**45,824**	**48,230**	**49,362**	**50,292**	**53,392**	**49,693**
30	*Payable in dollars*	*37,881*	*38,966*	*49,202*	*45,427*	*44,966*	*47,424*	*48,985*	*49,630*	*52,448*	*48,839*
31	Banks[7]	29,467	28,966	36,610	32,307	31,958	34,551	35,592	36,015	39,071	35,174
	Deposits:										
32	Demand	8,231	7,534	9,104	9,385	8,392	8,712	9,772	9,551	10,137	8,931
33	Time[1]	1,885	1,856	2,267	1,797	1,742	1,675	1,808	2,128	1,836	1,898
34	U.S. Treasury bills and certificates	232	335	119	102	108	104	108	100	144	136
35	Other short-term liabilities[3]	19,119	19,241	25,120	21,023	21,716	24,060	23,904	24,236	26,955	24,209
36	Other foreigners	8,414	10,000	12,592	13,120	13,008	12,873	13,393	13,614	13,377	13,666
	Deposits:										
37	Demand	2,729	3,248	4,015	4,091	3,868	3,803	4,111	3,788	3,595	3,751
38	Time[1]	3,744	4,823	6,524	6,877	6,996	7,065	7,196	7,292	7,453	7,492
39	U.S. Treasury bills and certificates	277	325	198	229	248	201	180	167	151	307
40	Other short-term liabilities[5]	1,664	1,604	1,854	1,924	1,896	1,804	1,906	2,367	2,177	2,116
41	*Payable in foreign currencies*	*639*	*549*	*719*	*809*	*858*	*805*	*647*	*662*	*945*	*854*

1 Excludes negotiable time certificates of deposit, which are included in "Other short-term liabilities."

2 Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

3 Includes liabilities of U.S. banks to their foreign branches, liabilities of U.S. agencies and branches of foreign banks to their head offices and foreign branches of their head offices, bankers acceptances, commercial paper, and negotiable time certificates of deposit.

4 Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.

5 Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

6 Foreign central banks and foreign central governments and their agencies, and Bank for International Settlements.

7 Excludes central banks, which are included in "Official institutions."

NOTE.—"Short-term obligations" are those payable on demand, or having an original maturity of 1 year or less.

3.16 SHORT-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States

By Country

Millions of dollars, end of period

	Area and country	1974	1975	1976	1977						
					Feb.	Mar.	Apr.	May	June	July[p]	Aug.[p]
1	**Total**	**94,771**	**94,338**	**108,990**	**105,064**	**106,152**	**111,002**	**114,449**	**113,432**	**117,286**	**110,684**
2	**Foreign countries**	**91,600**	**89,046**	**103,540**	**101,146**	**101,870**	**105,715**	**107,892**	**107,705**	**113,451**	**106,467**
3	*Europe*	*48,813*	*43,988*	*46,938*	*43,630*	*44,363*	*45,049*	*48,232*	*49,627*	*50,604*	*48,933*
4	Austria	607	754	348	401	499	506	409	465	455	498
5	Belgium-Luxembourg	2,506	2,898	2,275	2,419	2,566	2,609	2,641	2,704	2,822	2,691
6	Denmark	369	332	363	419	569	809	974	1,178	1,154	1,032
7	Finland	266	391	422	370	312	306	242	258	209	210
8	France	4,287	7,733	4,875	4,610	4,817	4,748	4,920	5,089	4,745	4,894
9	Germany	9,429	4,357	5,965	5,495	4,677	4,490	4,825	4,271	4,937	4,415
10	Greece	248	284	403	346	302	350	409	556	573	709
11	Italy	2,577	1,072	3,206	2,703	2,361	2,625	3,509	4,636	5,422	5,538
12	Netherlands	3,234	3,411	3,007	2,817	3,181	2,924	3,111	3,545	3,397	3,328
13	Norway	1,040	996	785	793	746	906	999	1,195	1,203	1,139
14	Portugal	310	195	239	228	209	184	238	163	222	169
15	Spain	382	426	561	542	555	501	586	667	642	543
16	Sweden	1,138	2,286	1,693	1,593	1,717	2,047	2,431	2,390	1,963	1,782
17	Switzerland	10,139	8,514	9,458	9,634	8,927	8,798	8,436	9,323	9,162	9,382
18	Turkey	152	118	166	82	88	81	68	127	101	203
19	United Kingdom	7,584	6,886	10,004	8,715	10,368	10,704	11,959	10,701	11,250	10,192
20	Yugoslavia	183	126	188	121	96	111	102	115	125	142
21	Other Western Europe[1]	4,073	2,970	2,672	2,136	2,144	2,132	2,136	2,009	1,973	1,845
22	U.S.S.R.	82	40	51	45	50	41	66	73	88	70
23	Other Eastern Europe	206	200	255	162	178	176	172	162	160	151
24	*Canada*	*3,520*	*3,076*	*4,784*	*4,815*	*4,324*	*4,823*	*4,869*	*4,253*	*4,456*	*4,631*
25	*Latin America*	*11,754*	*14,942*	*19,026*	*18,656*	*19,052*	*20,437*	*19,944*	*20,771*	*23,038*	*21,551*
26	Argentina	886	1,147	1,538	1,820	1,890	1,845	1,971	1,699	1,754	2,022
27	Bahamas	1,054	1,827	2,750	2,434	2,184	4,001	2,744	3,777	5,518	4,508
28	Brazil	1,034	1,227	1,432	1,272	1,108	1,225	1,175	1,357	1,398	1,233
29	Chile	276	317	335	302	403	329	432	393	373	353
30	Colombia	305	417	1,017	1,152	1,201	1,253	1,172	1,196	1,220	1,164
31	Cuba	7	6	6	6	6	6	8	7	6	6
32	Mexico	1,770	2,066	2,848	2,782	2,747	2,699	2,764	2,832	2,869	2,788
33	Panama	510	1,099	1,140	1,002	1,001	1,008	984	941	1,015	959
34	Peru	272	244	257	228	246	255	219	224	241	273
35	Uruguay	165	172	245	239	241	263	251	234	242	230
36	Venezuela	3,413	3,289	3,095	3,038	2,927	2,440	2,992	2,463	2,532	2,887
37	Other Latin American republics	1,316	1,494	2,081	2,258	2,429	2,284	2,270	2,376	2,238	2,154
38	Netherlands Antilles[2]	158	129	140	157	162	173	215	207	158	180
39	Other Latin America	589	1,507	2,142	1,966	2,508	2,656	2,745	3,066	3,476	2,893
40	*Asia*	*21,130*	*21,539*	*28,472*	*29,285*	*29,614*	*30,459*	*29,933*	*28,456*	*30,366*	*26,997*
41	China, People's Republic of (Mainland)	50	123	47	47	52	52	53	44	49	87
42	China, Republic of (Taiwan)	818	1,025	989	1,163	1,067	1,138	1,210	1,196	1,259	885
43	Hong Kong	530	623	892	1,039	1,018	993	950	931	1,028	1,045
44	India	261	126	648	558	537	648	721	814	746	743
45	Indonesia	1,221	369	340	546	480	887	531	282	782	589
46	Israel	389	386	391	559	509	436	503	547	484	467
47	Japan	10,931	10,218	14,380	13,358	13,271	13,071	12,481	12,387	12,837	11,780
48	Korea	384	390	437	483	382	430	472	534	633	527
49	Philippines	747	698	627	554	652	624	634	614	673	561
50	Thailand	333	252	275	313	312	308	275	257	281	293
51	Middle East oil-exporting countries[3]	4,623	6,461	8,073	9,287	9,988	10,399	10,447	9,283	10,026	8,828
52	Other[4]	845	867	1,372	1,377	1,346	1,473	1,655	1,568	1,568	1,193
53	*Africa*	*3,551*	*3,373*	*2,300*	*2,413*	*2,285*	*2,587*	*2,753*	*2,671*	*3,284*	*3,177*
54	Egypt	103	343	333	251	251	245	360	314	401	603
55	Morocco	38	68	88	105	94	91	93	81	73	61
56	South Africa	130	169	143	155	136	176	184	237	264	185
57	Zaire	84	63	35	41	39	28	30	30	40	38
58	Oil-exporting countries[5]	2,814	2,239	1,116	1,132	964	1,151	1,205	1,145	1,541	1,430
59	Other[4]	383	491	585	728	802	896	881	866	966	860
60	*Other countries*	*2,831*	*2,128*	*2,019*	*2,348*	*2,231*	*2,361*	*2,162*	*1,926*	*1,704*	*1,179*
61	Australia	2,742	2,014	1,911	2,231	2,101	2,223	2,026	1,800	1,553	1,007
62	All other	89	114	108	118	130	138	135	126	151	172
63	**Nonmonetary international and regional organizations**	**3,171**	**5,293**	**5,450**	**3,918**	**4,283**	**5,287**	**6,557**	**5,728**	**3,834**	**4,217**
64	International	2,900	5,064	5,091	3,599	3,960	4,995	6,230	5,365	3,484	3,816
65	Latin American regional	202	187	136	132	136	110	118	144	165	187
66	Other regional[6]	69	42	223	187	187	182	209	218	186	213

For notes see bottom of p. A59.

3.17 SHORT-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States

Supplemental "Other" Countries [1]

Millions of dollars, end of period

	Area and country	1975 Apr.	1975 Dec.	1976 Apr.	1976 Dec.	1977 Apr.
	Other Western Europe					
1	Cyprus	17	6	38	68	58
2	Iceland	20	33	43	40	32
3	Ireland, Republic of	29	75	43	236	131
	Other Eastern Europe					
4	Bulgaria	13	19	14	34	11
5	Czechoslovakia	11	32	11	19	31
6	German Democratic Republic	18	17	3	11	......
7	Hungary	11	13	11	18	16
8	Poland	42	66	74	75	64
9	Rumania	14	44	29	19	23
	Other Latin American republics					
10	Bolivia	93	110	117	121	135
11	Costa Rica	120	124	134	134	170
12	Dominican Republic	214	169	170	274	280
13	Ecuador	157	120	150	319	311
14	El Salvador	144	171	212	176	214
15	Guatemala	255	260	368	340	392
16	Haiti	34	38	48	46	68
17	Honduras	92	99	137	134	210
18	Jamaica	62	41	59	34	43
19	Nicaragua	126	133	158	113	133
20	Paraguay	38	43	50	47	60
21	Surinam [2]	......	......	13	29	17
22	Trinidad and Tobago	31	131	44	167	85
	Other Latin America:					
23	Bermuda	100	170	197	177	199
24	British West Indies	627	1,311	2,284	1,874	2,377
	Other Asia					
25	Afghanistan	19	41	57	55	90
26	Bangladesh	50	54	44	54	......
27	Burma	49	31	34	13	......
28	Cambodia	4	4	3	4	......
29	Jordan	30	39	23	37	23
30	Laos	5	2	2	1	......
31	Lebanon	180	117	132	140	133
32	Malaysia	92	77	130	394	511
33	Nepal	22	28	34	32	35
34	Pakistan	118	74	92	188	135
35	Singapore	215	256	344	280	300
36	Sri Lanka (Ceylon)	13	13	10	22	27
37	Vietnam	70	62	66	50	50
	Other Africa					
38	Ethiopia (incl. Eritrea)	76	60	72	41	48
39	Ghana	13	23	45	27	37
40	Ivory Coast	11	18	17	10	26
41	Kenya	32	19	39	46	185
42	Liberia	33	53	63	76	95
43	Southern Rhodesia	3	1	1	1	1
44	Sudan	14	12	17	22	30
45	Tanzania	21	30	20	48	57
46	Tunisia	23	29	34	19	15
47	Uganda	38	22	50	43	......
48	Zambia	18	78	14	35	55
	All Other					
49	New Zealand	36	42	48	43	75

1 Represents a partial breakdown of the amounts shown in the "Other" categories on Table 3.16.

2 Surinam included with Netherlands Antilles until January 1976.

3.18 LONG-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States

Millions of dollars, end of period

Holder, and area or country	1974	1975	1976	1977 Feb.	1977 Mar.	1977 Apr.	1977 May	1977 June	1977 July[p]	1977 Aug.[p]
1 **Total**	**1,285**	**1,812**	**2,427**	**2,307**	**2,300**	**2,505**	**2,214**	**2,376**	**2,322**	**2,321**
2 **Nonmonetary international and regional organizations**	**822**	**415**	**264**	**258**	**267**	**250**	**261**	**279**	**269**	**313**
3 **Foreign countries**	**464**	**1,397**	**2,163**	**2,049**	**2,033**	**2,256**	**1,953**	**2,097**	**2,053**	**2,008**
4 Official institutions, including central banks	124	931	1,337	1,192	1,163	1,358	1,069	1,135	1,186	1,097
5 Banks, excluding central banks	261	366	621	627	648	631	615	650	538	573
6 Other foreigners	79	100	204	230	222	267	270	312	329	337
Area or country:										
7 Europe	226	330	570	580	571	583	579	628	634	664
8 Germany	146	214	346	296	354	304	297	312	307	308
9 United Kingdom	59	66	124	122	103	131	133	147	162	169
10 Canada	19	23	29	29	37	35	34	35	33	27
11 Latin America	115	140	230	267	263	264	254	280	287	304
12 Middle East oil-exporting countries[1]	94	894	1,236	1,104	1,091	1,304	1,015	1,130	1,075	972
13 Other Asia[2]	7	8	96	67	67	68	69	18	18	34
14 African oil-exporting countries[3]	*	*	*	*	*	*	*	*	*	*
15 Other Africa[4]	1	1	*	1	2	2	2	6	6	6
16 All other countries	*	*	1	1	1	1	1	1	1	1

1 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2 Includes Middle East oil-exporting countries until December 1974.

3 Comprises Algeria, Gabon, Libya, and Nigeria.

4 Includes African oil-exporting countries until December 1974.

NOTE.—Long-term obligations are those having an original maturity of more than 1 year.

NOTES TO TABLE 3.16:

1 Includes Bank for International Settlements.

2 Surinam included with Netherlands Antilles until January 1976.

3 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4 Includes oil-exporting countries until December 1974.

5 Comprises Algeria, Gabon, Libya, and Nigeria.

6 Asian, African, and European regional organizations, except BIS, which is included in "Other Western Europe."

3.19 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Banks in the United States

By Country

Millions of dollars, end of period

	Area and country	1974	1975	1976	1977						
					Feb.	Mar.	Apr.	May	June	July[p]	Aug.[p]
1	**Total**	**39,056**	**50,231**	**68,908**	**63,191**	**65,156**	**65,874**	**68,160**	**70,563**	**69,463**	**68,514**
2	**Foreign countries**	**39,055**	**50,229**	**68,903**	**63,186**	**65,150**	**65,869**	**68,156**	**70,550**	**69,454**	**68,503**
3	*Europe*	*6,255*	*8,987*	*12,122*	*10,695*	*10,896*	*12,033*	*12,913*	*13,769*	*12,707*	*12,326*
4	Austria	21	15	44	42	58	63	43	53	63	53
5	Belgium-Luxembourg	384	352	662	611	570	470	589	759	505	465
6	Denmark	46	49	85	64	67	84	84	85	86	100
7	Finland	122	128	139	131	141	126	130	113	101	103
8	France	673	1,471	1,445	1,372	1,337	1,511	1,546	1,455	1,462	1,469
9	Germany	589	416	517	623	535	550	503	575	647	671
10	Greece	64	49	79	85	54	70	65	51	66	68
11	Italy	345	370	929	802	870	946	979	875	972	1,007
12	Netherlands	348	300	304	510	252	385	362	480	471	371
13	Norway	119	71	98	139	133	142	148	124	121	135
14	Portugal	20	16	65	90	98	90	100	97	110	138
15	Spain	196	249	373	315	291	363	302	284	323	344
16	Sweden	180	167	180	85	77	116	79	101	153	152
17	Switzerland	335	237	485	530	496	496	473	484	488	533
18	Turkey	15	86	176	207	274	291	322	333	333	329
19	United Kingdom	2,580	4,718	6,179	4,658	5,230	5,939	6,803	7,485	6,458	6,055
20	Yugoslavia	22	38	41	60	37	31	55	58	49	35
21	Other Western Europe	22	27	52	60	56	51	40	51	42	47
22	U.S.S.R.	46	103	99	95	104	108	82	90	88	81
23	Other Eastern Europe	131	108	171	215	218	203	209	216	169	169
24	*Canada*	*2,776*	*2,817*	*3,049*	*3,461*	*3,737*	*3,701*	*3,554*	*3,607*	*3,728*	*3,977*
25	*Latin America*	*12,377*	*20,532*	*34,039*	*31,391*	*32,017*	*31,789*	*32,560*	*33,413*	*33,326*	*32,731*
26	Argentina	720	1,203	964	867	914	873	886	904	839	856
27	Bahamas	3,405	7,570	15,336	14,099	15,431	14,157	15,127	16,058	15,061	13,532
28	Brazil	1,418	2,221	3,322	3,089	2,948	3,186	3,061	3,030	2,984	3,052
29	Chile	290	360	387	371	357	420	362	349	373	382
30	Colombia	713	689	586	598	544	565	505	495	514	539
31	Cuba	14	13	13	13	13	13	13	13	13	13
32	Mexico	1,972	2,802	3,432	3,333	3,295	3,302	3,249	3,204	3,469	3,458
33	Panama	505	1,052	1,026	869	849	753	840	905	1,278	1,463
34	Peru	518	583	704	748	733	756	741	797	796	784
35	Uruguay	63	51	38	39	39	35	36	32	38	39
36	Venezuela	704	1,086	1,564	1,265	1,241	1,197	1,359	1,348	1,421	1,430
37	Other Latin American republics	852	967	1,125	1,108	1,132	1,079	1,176	1,144	1,181	1,233
38	Netherlands Antilles[1]	62	49	40	41	41	54	36	69	64	57
39	Other Latin America	1,142	1,885	5,503	4,953	4,482	5,401	5,170	5,066	5,295	5,893
40	*Asia*	*16,226*	*16,057*	*17,672*	*15,442*	*16,118*	*15,760*	*16,606*	*16,979*	*17,025*	*16,807*
41	China, People's Republic of (Mainland)	4	22	3	30	5	3	15	30	13	9
42	China, Republic of (Taiwan)	500	736	991	1,086	1,124	1,099	1,221	1,259	1,275	1,236
43	Hong Kong	223	258	271	265	317	337	298	337	359	271
44	India	14	21	41	23	32	24	34	39	25	65
45	Indonesia	157	102	76	55	53	41	39	72	65	56
46	Israel	255	491	551	334	328	287	280	334	311	323
47	Japan	12,518	10,776	10,997	9,471	9,486	9,397	9,591	9,935	9,698	9,601
48	Korea	955	1,561	1,714	1,562	1,736	1,807	1,912	1,861	1,981	2,067
49	Philippines	372	384	559	479	463	490	498	418	372	478
50	Thailand	458	499	422	446	491	468	519	558	584	580
51	Middle East oil-exporting countries[2]	330	524	1,312	1,040	1,389	1,170	1,469	1,275	1,476	1,368
52	Other[3]	441	684	735	651	693	638	730	860	867	753
53	*Africa*	*855*	*1,228*	*1,481*	*1,480*	*1,603*	*1,572*	*1,559*	*1,773*	*1,658*	*1,720*
54	Egypt	111	101	127	126	149	146	152	141	158	149
55	Morocco	18	9	13	13	26	35	34	36	46	43
56	South Africa	329	545	763	797	792	783	778	810	821	799
57	Zaire	98	34	29	11	10	8	7	9	8	6
58	Oil-exporting countries[4]	115	231	253	246	343	291	243	422	290	357
59	Other[3]	185	308	296	286	283	309	344	355	333	365
60	*Other countries*	*565*	*609*	*540*	*717*	*779*	*1,013*	*963*	*1,009*	*1,010*	*941*
61	Australia	466	535	441	592	663	894	846	878	861	793
62	All other	99	73	99	125	116	119	117	132	150	148
63	**Nonmonetary international and regional organizations**	*****	**1**	**5**	**5**	**6**	**5**	**4**	**13**	**10**	**11**

[1] Includes Surinam until January 1976.
[2] Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
[3] Includes oil-exporting countries until December 1974.
[4] Comprises Algeria, Gabon, Libya, and Nigeria.

3.20 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Banks in the United States

By Type of Claim

Millions of dollars, end of period

Type	1974	1975	1976	1977 Feb.	Mar.	Apr.	May	June	July[p]	Aug.[p]
1 **Total**	**39,056**	**50,231**	**68,908**	**63,191**	**65,156**	**65,874**	**68,160**	**70,563**	**69,463**	**68,514**
2 *Payable in dollars*	*37,859*	*48,888*	*67,263*	*61,232*	*63,259*	*64,188*	*66,396*	*68,784*	*67,797*	*66,579*
3 *Loans, total*	*11,287*	*13,200*	*18,141*	*15,989*	*15,766*	*16,396*	*16,647*	*16,074*	*17,602*	*16,718*
4 Official institutions, including central banks	381	613	1,448	943	784	741	967	983	852	1,018
5 Banks, excluding central banks	7,332	7,665	11,142	9,755	9,740	10,550	10,638	9,985	11,523	10,562
6 All other, including nonmonetary international and regional organizations	3,574	4,921	5,552	5,291	5,241	5,105	5,041	5,105	5,228	5,138
7 Collections outstanding	5,637	5,467	5,756	5,868	6,190	6,316	6,317	6,417	6,352	6,187
8 Acceptances made for accounts of foreigners	11,237	11,147	12,358	12,009	12,790	12,976	13,045	13,166	13,390	13,517
9 Other claims[1]	9,694	19,075	31,007	27,367	28,513	28,499	30,387	33,127	30,453	30,156
10 *Payable in foreign currencies*	*1,196*	*1,342*	*1,645*	*1,959*	*1,897*	*1,686*	*1,764*	*1,779*	*1,667*	*1,935*
11 Deposits with foreigners	669	656	1,063	1,091	1,100	918	864	845	817	1,036
12 Foreign government securities, commercial and finance paper	289	314	89	272	323	332	377	302	277	233
13 Other claims	238	372	493	596	474	436	522	631	572	667

[1] Includes claims of U.S. banks on their foreign branches and claims of U.S. agencies and branches of foreign banks on their head offices and foreign branches of their head offices.

NOTE. *Short-term claims are principally the following items payable on demand or with a contractual maturity of not more than 1 year:* loans made to, and acceptances made for, foreigners; drafts drawn against foreigners, where collection is being made by banks and bankers for their own account or for account of their customers in the United States; and foreign currency balances held abroad by banks and bankers and their customers in the United States. Excludes foreign currencies held by U.S. monetary authorities.

3.21 LONG-TERM CLAIMS ON FOREIGNERS Reported by Banks in the United States

Millions of dollars, end of period

Type, and area or country	1974	1975	1976	1977 Feb.	Mar.	Apr.	May	June	July[p]	Aug.[p]
1 **Total**	**7,179**	**9,536**	**11,898**	**12,065**	**12,204**	**12,458**	**12,294**	**12,191**	**12,212**	**12,418**
By type:										
2 *Payable in dollars*	*7,099*	*9,419*	*11,750*	*11,855*	*12,015*	*12,257*	*12,091*	*11,991*	*12,010*	*12,199*
3 *Loans, total*	*6,490*	*8,316*	*10,097*	*10,329*	*10,411*	*10,534*	*10,399*	*10,296*	*10,325*	*10,474*
4 Official institutions, including central banks	1,324	1,351	1,407	1,531	1,625	1,647	1,642	1,653	1,676	1,684
5 Banks, excluding central banks	929	1,567	2,232	2,231	2,194	2,193	2,273	2,260	2,245	2,277
6 All other, including nonmonetary international and regional organizations	4,237	5,399	6,458	6,567	6,591	6,693	6,484	6,383	6,404	6,514
7 Other long-term claims	609	1,103	1,653	1,526	1,604	1,723	1,693	1,695	1,685	1,725
8 *Payable in foreign currencies*	*80*	*116*	*148*	*211*	*190*	*201*	*202*	*200*	*202*	*219*
By area or country:										
9 Europe	1,908	2,704	3,314	3,444	3,616	3,698	3,650	3,687	3,606	3,659
10 Canada	501	555	637	587	566	558	501	483	485	455
11 Latin America	2,614	3,468	4,870	4,966	4,911	4,990	5,042	5,016	5,045	5,207
12 *Asia*	*1,619*	*1,795*	*1,904*	*1,874*	*1,896*	*1,933*	*1,884*	*1,832*	*1,865*	*1,855*
13 Japan	258	296	382	367	417	416	420	410	420	375
14 Middle East oil-exporting countries[1]	384	220	146	133	152	149	149	151	156	182
15 Other Asia[2]	977	1,279	1,376	1,374	1,327	1,368	1,316	1,271	1,288	1,298
16 *Africa*	*366*	*747*	*890*	*875*	*890*	*953*	*898*	*860*	*857*	*898*
17 Oil-exporting countries[3]	62	151	271	210	211	228	213	213	191	219
18 Other[4]	305	596	619	665	678	725	685	647	666	679
19 All other countries[5]	171	267	282	319	322	327	319	313	353	344

[1] Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

[2] Includes Middle East oil-exporting countries until December 1974.

[3] Comprises Algeria, Gabon, Libya, and Nigeria.

[4] Includes oil-exporting countries until December 1974.

[5] Includes nonmonetary international and regional organizations.

3.22 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1974	1975	1976	1977						
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
All foreign countries										
1 **Total, all currencies**	**151,905**	**176,493**	**219,476**	**212,427**	**215,934**	**223,239**	**223,014**	**229,542**	**236,352**	**235,641**
2 *Claims on United States*	*6,900*	*6,743*	*7,999*	*6,529*	*7,031*	*7,267*	*8,836*	*7,359*	*7,396*	*10,681*
3 Parent bank	4,464	3,665	4,435	2,966	3,725	3,622	5,432	3,928	3,612	7,134
4 Other	2,435	3,078	3,564	3,563	3,306	3,645	3,398	3,430	3,784	3,547
5 *Claims on foreigners*	*138,712*	*163,391*	*204,433*	*198,285*	*201,466*	*208,552*	*207,211*	*214,786*	*221,542*	*217,462*
6 Other branches of parent bank	27,559	34,508	45,894	46,086	47,767	48,645	47,826	49,489	52,375	48,035
7 Other banks	60,283	69,206	83,765	77,415	77,923	81,668	79,756	83,912	86,831	84,719
8 Official institutions	4,077	5,792	10,609	10,837	11,190	11,768	12,400	12,728	13,194	13,572
9 Nonbank foreigners	46,793	53,886	64,164	63,947	64,587	66,471	67,230	68,657	69,143	71,136
10 Other assets	6,294	6,359	7,045	7,613	7,437	7,421	6,973	7,397	7,414	7,497
11 **Total payable in U.S. dollars**	**105,969**	**132,901**	**167,751**	**163,028**	**165,472**	**172,360**	**171,926**	**176,603**	**182,434**	**179,651**
12 *Claims on United States*	*6,603*	*6,408*	*7,705*	*6,250*	*6,743*	*6,868*	*8,456*	*6,949*	*6,979*	*10,263*
13 Parent bank	4,428	3,628	4,375	2,927	3,680	3,574	5,388	3,903	3,590	7,095
14 Other	2,175	2,780	3,330	3,323	3,063	3,293	3,068	3,047	3,389	3,168
15 *Claims on foreigners*	*96,209*	*123,496*	*156,842*	*152,866*	*155,106*	*161,966*	*160,167*	*166,162*	*172,053*	*166,063*
16 Other branches of parent bank	19,688	28,478	37,848	38,362	39,822	40,922	39,960	41,373	43,919	39,293
17 Other banks	45,067	55,319	66,331	60,816	60,909	64,591	63,037	66,297	68,763	66,233
18 Official institutions	3,289	4,864	9,018	9,469	9,854	10,470	11,056	11,364	11,886	12,110
19 Nonbank foreigners	28,164	34,835	43,645	44,219	44,521	45,983	46,113	47,128	47,486	48,427
20 Other assets	3,157	2,997	3,204	3,912	3,623	3,527	3,303	3,492	3,401	3,325
United Kingdom										
21 **Total, all currencies**	**69,804**	**74,883**	**81,466**	**76,482**	**78,708**	**81,268**	**80,150**	**83,178**	**84,734**	**83,484**
22 *Claims on United States*	*3,248*	*2,392*	*3,354*	*2,262*	*1,772*	*2,311*	*2,541*	*2,714*	*2,450*	*3,129*
23 Parent bank	2,472	1,449	2,376	1,377	1,011	1,302	1,698	1,850	1,553	2,249
24 Other	776	943	978	885	761	1,009	843	863	897	881
25 *Claims of foreigners*	*64,111*	*70,331*	*75,859*	*71,995*	*74,713*	*76,865*	*75,559*	*78,333*	*80,087*	*78,082*
26 Other branches of parent bank	12,724	17,557	19,753	19,483	21,450	21,115	21,733	21,122	22,104	20,560
27 Other banks	32,701	35,904	38,089	34,827	35,517	37,074	35,559	38,635	39,174	38,121
28 Official institutions	788	881	1,274	1,377	1,615	1,606	1,611	1,631	1,764	1,863
29 Nonbank foreigners	17,898	15,990	16,743	16,309	16,130	17,070	16,656	16,945	17,045	17,538
30 Other assets	2,445	2,159	2,253	2,225	2,224	2,092	2,050	2,131	2,197	2,272
31 **Total payable in U.S. dollars**	**49,211**	**57,361**	**61,587**	**57,758**	**60,038**	**62,353**	**61,179**	**63,481**	**64,841**	**62,815**
32 *Claims on United States*	*3,146*	*2,273*	*3,275*	*2,185*	*1,684*	*2,173*	*2,430*	*2,590*	*2,338*	*3,011*
33 Parent bank	2,468	1,445	2,374	1,372	1,008	1,297	1,690	1,842	1,547	2,237
34 Other	678	828	902	813	676	876	740	748	791	774
35 *Claims on foreigners*	*44,694*	*54,121*	*57,488*	*54,735*	*57,492*	*59,342*	*57,894*	*60,030*	*61,582*	*58,875*
36 Other branches of parent bank	10,265	15,645	17,249	17,183	19,114	18,712	19,256	18,642	19,519	17,784
37 Other banks	23,716	28,224	28,983	26,184	26,767	28,352	26,917	29,498	29,949	28,849
38 Official institutions	610	648	846	1,110	1,340	1,310	1,297	1,306	1,437	1,473
39 Nonbank foreigners	10,102	9,604	10,410	10,258	10,271	10,968	10,424	10,584	10,676	10,769
40 Other assets	1,372	967	824	838	862	839	855	861	922	930
Bahamas and Caymans										
41 **Total, all currencies**	**31,733**	**45,203**	**66,774**	**66,445**	**66,100**	**69,526**	**70,950**	**71,540**	**74,853**	**74,727**
42 *Claims on United States*	*2,464*	*3,229*	*3,506*	*3,158*	*3,687*	*3,409*	*4,996*	*3,540*	*3,970*	*6,445*
43 Parent bank	1,081	1,477	1,141	778	1,384	1,037	2,703	1,251	1,394	4,062
44 Other	1,383	1,752	2,365	2,381	2,303	2,372	2,293	2,290	2,576	2,383
45 *Claims on foreigners*	*28,453*	*41,040*	*62,050*	*61,539*	*60,999*	*64,783*	*64,654*	*66,551*	*69,528*	*66,973*
46 Other branches of parent bank	3,478	5,411	8,144	8,463	7,815	9,060	8,095	8,703	9,638	7,586
47 Other banks	11,354	16,298	25,354	23,836	23,435	25,339	25,234	25,588	27,372	25,967
48 Official institutions	2,022	3,576	7,101	7,004	7,225	7,495	7,784	8,062	8,344	8,628
49 Nonbank foreigners	11,599	15,756	21,451	22,236	22,523	22,890	23,540	24,228	24,174	24,791
50 Other assets	815	933	1,217	1,748	1,413	1,333	1,300	1,419	1,356	1,309
51 **Total payable in U.S. dollars**	**28,726**	**41,887**	**62,705**	**62,232**	**61,571**	**64,946**	**66,366**	**66,550**	**69,930**	**69,548**

3.22 Continued

	Liability account	1974	1975	1976	1977						
				Dec.	Jan. r	Feb. r	Mar. r	Apr. r	May r	June	July p
		All foreign countries									
52	**Total, all currencies**	**151,905**	**176,493**	**219,476**	**212,427**	**215,934**	**223,239**	**223,014**	**229,542**	**236,352**	**235,641**
53	*To United States*	*11,982*	*20,221*	*32,837*	*30,379*	*30,482*	*34,420*	*33,082*	*34,768*	*37,177*	*37,703*
54	Parent bank	5,809	12,165	19,895	18,696	19,229	21,017	18,312	20,497	22,821	19,689
55	Other	6,173	8,057	12,942	11,683	11,253	13,403	14,770	14,270	14,356	18,014
56	*To foreigners*	*132,990*	*149,815*	*179,893*	*175,155*	*178,570*	*181,926*	*182,966*	*187,537*	*191,761*	*189,361*
57	Other branches of parent bank	26,941	34,111	44,310	44,289	46,328	47,444	46,175	48,032	50,292	47,016
58	Other banks	65,675	72,259	83,878	79,487	78,295	80,026	82,132	84,113	84,197	86,903
59	Official institutions	20,185	22,773	25,829	25,796	26,656	26,438	26,150	27,328	28,197	27,112
60	Nonbank foreigners	20,189	20,672	25,877	25,583	27,291	28,018	28,509	28,065	29,075	28,329
61	Other liabilities	6,933	6,456	6,747	6,894	6,882	6,893	6,965	7,237	7,414	8,577
62	**Total payable in U.S. dollars**	**107,890**	**135,907**	**173,127**	**167,591**	**170,544**	**177,255**	**177,062**	**181,798**	**187,552**	**184,726**
63	*To United States*	*11,437*	*19,503*	*32,050*	*29,443*	*29,568*	*33,477*	*32,118*	*33,882*	*36,120*	*36,770*
64	Parent bank	5,641	11,939	19,681	18,447	18,983	20,764	18,067	20,241	22,378	19,415
65	Other	5,795	7,564	12,369	10,996	10,585	12,713	14,051	13,640	13,742	17,355
66	*To foreigners*	*92,503*	*112,879*	*137,550*	*134,375*	*137,313*	*140,179*	*141,220*	*144,098*	*147,266*	*142,942*
67	Other branches of parent bank	19,330	28,217	37,038	37,707	39,373	40,474	39,096	40,572	42,740	38,940
68	Other banks	43,656	51,583	60,617	56,766	56,091	57,750	59,977	60,930	60,232	61,755
69	Official institutions	17,444	19,982	22,878	23,063	23,624	23,650	23,241	24,369	25,249	24,159
70	Nonbank foreigners	12,072	13,097	17,017	16,838	18,225	18,305	18,906	18,242	19,045	18,088
71	Other liabilities	3,951	3,526	3,527	3,773	3,664	3,600	3,724	3,819	4,167	5,013
		United Kingdom									
72	**Total, all currencies**	**69,804**	**74,883**	**81,466**	**76,482**	**78,708**	**81,268**	**80,150**	**83,178**	**84,734**	**83,484**
73	*To United States*	*3,978*	*5,646*	*5,997*	*5,101*	*4,871*	*6,365*	*6,272*	*5,845*	*6,894*	*8,537*
74	Parent bank	510	2,122	1,198	1,211	1,191	1,537	1,515	1,460	2,150	2,217
75	Other	3,468	3,523	4,798	3,889	3,681	4,828	4,756	4,386	4,743	6,320
76	*To foreigners*	*63,409*	*67,240*	*73,228*	*69,202*	*71,523*	*72,665*	*71,787*	*75,145*	*75,683*	*72,585*
77	Other branches of parent bank	4,762	6,494	7,092	7,663	7,981	8,252	7,764	8,570	8,937	7,987
78	Other banks	32,040	32,964	36,259	32,336	32,097	33,830	33,747	35,932	34,959	34,623
79	Official institutions	15,258	16,553	17,273	16,975	18,204	17,711	17,260	17,538	18,086	17,148
80	Nonbank foreigners	11,349	11,229	12,605	12,228	13,242	12,872	13,016	13,106	13,701	12,827
81	Other liabilities	2,418	1,997	2,241	2,179	2,313	2,238	2,091	2,187	2,157	2,362
82	**Total payable in U.S. dollars**	**49,666**	**57,820**	**63,174**	**59,009**	**61,331**	**63,346**	**62,373**	**64,343**	**65,735**	**63,848**
83	*To United States*	*3,744*	*5,415*	*5,849*	*4,876*	*4,704*	*6,189*	*6,108*	*5,688*	*6,679*	*8,348*
84	Parent bank	484	2,083	1,182	1,195	1,166	1,506	1,498	1,438	2,083	2,184
85	Other	3,261	3,332	4,666	3,681	3,538	4,683	4,610	4,250	4,596	6,164
86	*To foreigners*	*44,594*	*51,447*	*56,372*	*53,230*	*55,675*	*56,283*	*55,390*	*57,720*	*58,136*	*54,550*
87	Other branches of parent bank	3,256	5,442	5,874	6,573	6,906	7,188	6,563	7,333	7,661	6,583
88	Other banks	20,526	23,330	25,527	22,137	22,211	23,841	23,815	25,171	24,134	23,681
89	Official institutions	13,225	14,498	15,423	15,184	16,345	15,817	15,394	15,674	16,301	15,295
90	Nonbank foreigners	7,587	8,176	9,547	9,336	10,213	9,437	9,617	9,541	10,040	8,990
91	Other liabilities	1,328	959	953	903	953	874	875	936	920	951
		Bahamas and Caymans									
92	**Total, all currencies**	**31,733**	**45,203**	**66,774**	**66,445**	**66,100**	**69,526**	**70,950**	**71,540**	**74,853**	**74,727**
93	*To United States*	*4,815*	*11,147*	*22,723*	*21,656*	*21,638*	*24,277*	*23,060*	*25,137*	*26,571*	*25,051*
94	Parent bank	2,636	7,628	16,163	15,157	15,207	17,110	14,514	16,426	18,366	14,835
95	Other	2,180	3,520	6,560	6,499	6,431	7,167	8,545	8,710	8,205	10,217
96	*To foreigners*	*26,140*	*32,949*	*42,897*	*43,376*	*43,166*	*43,863*	*46,641*	*45,054*	*46,531*	*47,189*
97	Other branches of parent bank	7,702	10,569	13,801	13,551	14,406	14,714	14,123	13,894	14,662	13,736
98	Other banks	14,050	16,825	21,758	22,231	20,981	20,455	23,244	22,296	22,693	24,166
99	Official institutions	2,377	3,308	3,573	3,632	3,339	3,540	3,917	4,130	4,216	4,351
100	Nonbank foreigners	2,011	2,248	3,765	3,963	4,439	5,155	5,356	4,734	4,960	4,936
101	Other liabilities	778	1,106	1,154	1,413	1,295	1,385	1,249	1,350	1,751	2,487
102	**Total payable in U.S. dollars**	**28,840**	**42,197**	**63,417**	**62,818**	**62,382**	**65,755**	**67,168**	**67,518**	**70,816**	**70,399**

3.23 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1975	1976	1977 Jan.-Aug.p	1977 Feb.	Mar.	Apr.	May	June	Julyp	Aug.p
				Holdings (end of period) [4]						
1 **Estimated total**	**7,703**	**15,798**	....	**17,813**	**18,748**	**18,450**	**19,335**	**21,787**	**23,024**	**27,138**
2 **Foreign countries**	**7,372**	**12,765**	....	**13,746**	**14,929**	**16,024**	**17,200**	**19,331**	**20,439**	**24,198**
3 *Europe*	*1,085*	*2,330*	....	*2,504*	*2,870*	*3,505*	*3,624*	*4,862*	*5,815*	*8,070*
4 Belgium-Luxembourg	13	14	....	14	14	14	16	18	19	19
5 Germany	215	764	....	789	894	1,112	1,112	1,262	1,266	1,847
6 Netherlands	16	288	....	367	388	388	418	492	503	634
7 Sweden	276	191	....	188	188	188	148	149	149	155
8 Switzerland	55	261	....	324	317	397	429	439	485	478
9 United Kingdom	363	485	....	512	713	1,069	1,181	2,190	3,068	4,607
10 Other Western Europe	143	323	....	306	354	332	316	312	322	327
11 Eastern Europe	4	4	....	4	4	4	4	4	4	4
12 Canada	395	256	....	261	270	268	271	279	283	288
13 Latin America	200	312	....	295	405	448	472	481	481	514
14 Venezuela	4	149	....	149	258	193	193	193	193	193
15 Other Latin America republics	29	35	....	21	26	21	21	18	18	18
16 Netherlands Antilles [1]	161	118	....	121	120	119	113	114	114	145
17 Asia	5,370	9,323	....	10,330	11,068	11,476	12,528	13,407	13,567	15,034
18 Japan	3,271	2,687	....	2,806	3,123	3,174	3,773	4,290	4,314	5,025
19 Africa	321	543	....	356	305	305	279	279	279	279
20 All other	*	*	....	*	11	23	27	23	13	13
21 **Nonmonetary international and regional organizations**	**331**	**3,033**	....	**4,068**	**3,819**	**2,426**	**2,135**	**2,456**	**2,586**	**2,940**
22 International	322	2,905	....	3,948	3,700	2,318	2,032	2,353	2,440	2,830
23 Latin American regional	9	128	....	119	118	108	103	103	146	110
			Transactions (net purchases, or sales (−), during period)							
24 **Total**	**1,994**	**8,095**	**11,340**	**1,505**	**936**	**−298**	**885**	**2,451**	**1,238**	**4,114**
25 **Foreign countries**	**1,814**	**5,393**	**11,433**	**732**	**1,184**	**1,094**	**1,176**	**2,131**	**1,108**	**3,759**
26 Official institutions	1,612	5,116	10,699	709	1,047	922	1,152	1,927	1,048	3,665
27 Other foreign	202	276	734	23	137	172	24	203	60	94
28 **Nonmonetary international and regional organizations**	**180**	**2,702**	**93**	**773**	**−248**	**1,392**	**−291**	**321**	**130**	**354**
MEMO: Oil-exporting countries										
29 Middle East [2]	1,797	3,887	2,783	505	408	338	392	397	−14	503
30 Africa [3]	170	221	24	−150	−51	....	−26	....	....	....

1 Includes Surinam until January 1976.

2 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States). Data not available until 1975.

3 Comprises Algeria, Gabon, Libya, and Nigeria. Data not available until 1975.

4 Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

3.24 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1974	1975	1976	1977 Mar.	Apr.	May	June	July	Aug.	Sept.
1 Deposits	418	353	352	349	305	436	379	468	534	382
Assets held in custody:										
2 U.S. Treasury securities [1]	55,600	60,019	66,532	71,435	73,261	73,964	74,098	75,443	75,976	79,285
3 Earmarked gold [2]	16,838	16,745	16,414	16,271	16,282	16,221	16,184	16,179	16,117	16,073

1 Marketable U.S. Treasury bills, certificates of indebtedness, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.

2 The value of earmarked gold increased because of the changes in par value of the U.S. dollar in May 1972 and in October 1973.

NOTE.—Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.25 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

	Transactions, and area or country	1975	1976	1977 Jan.-Aug.p	1977 Feb.	Mar.	Apr.	May	June	July p	Aug. p
						U.S. corporate securities					
	Stocks										
1	Foreign purchases	15,347	18,227	9,622	1,162	1,101	1,135	1,207	1,196	1,373	1,023
2	Foreign sales	10,678	15,474	8,054	1,036	980	913	978	948	1,162	900
3	**Net purchases, or sales (−)**	**4,669**	**2,752**	**1,568**	**126**	**121**	**222**	**229**	**248**	**211**	**123**
4	**Foreign countries**	**4,651**	**2,740**	**1,548**	**124**	**116**	**222**	**209**	**254**	**209**	**124**
5	Europe	2,491	336	604	47	72	105	128	42	43	37
6	France	262	256	−4	−10	4	−6	−3	21	−24	−13
7	Germany	251	68	96	−7	−4	38	37	12	20	−1
8	Netherlands	359	−199	17	−5	−10	−7	27	*	−10	−2
9	Switzerland	899	−100	112	23	30	38	4	20	5	−7
10	United Kingdom	594	340	427	36	55	47	67	43	71	69
11	Canada	361	325	13	30	9	5	33	−3	12	−5
12	Latin America	7	155	92	14	14	21	17	17	4	1
13	Middle East[1]	1,640	1,803	794	50	17	97	92	186	157	95
14	Other Asia[2]	142	117	42	−17	3	5	4	10	−6	3
15	Africa	10	7	1	*	*	*	*	*	*	1
16	Other countries	15	−4	4	1	1	−1	1	2	*	−2
17	**Nonmonetary international and regional organizations**	**18**	**12**	**19**	**1**	**5**	**1**	**20**	**−7**	**2**	**−1**
	Bonds[3]										
18	Foreign purchases	5,408	5,529	5,145	534	348	856	609	976	752	670
19	Foreign sales	4,642	4,322	2,248	214	208	245	332	394	285	248
20	**Net purchases, or sales (−)**	**766**	**1,207**	**2,896**	**320**	**140**	**611**	**277**	**582**	**467**	**421**
21	**Foreign countries**	**1,795**	**1,248**	**2,852**	**329**	**112**	**566**	**308**	**569**	**499**	**396**
22	Europe	113	92	1,239	281	75	100	99	314	232	130
23	France	82	40	−23	−3	−2	−5	−7	−3	1	1
24	Germany	−6	−50	37	4	*	4	13	12	12	1
25	Netherlands	−8	−29	30	−2	−3	7	−28	57	11	0
26	Switzerland	117	158	166	32	31	−4	19	17	35	21
27	United Kingdom	−52	23	1,000	225	43	106	102	223	197	96
28	Canada	128	96	120	55	−3	6	1	7	30	13
29	Latin America	31	94	39	8	1	3	*	2	12	18
30	Middle East[1]	1,553	1,179	1,284	−7	48	454	192	235	153	150
31	Other Asia[2]	−35	−165	174	−8	−6	4	17	10	72	84
32	Africa	5	−25	−2	*	−2	*	*	*	*	*
33	Other countries	1	−21	*	*	*	*	*	*	*	*
34	**Nonmonetary international and regional organizations**	**−1,030**	**−41**	**42**	**−9**	**27**	**45**	**−31**	**13**	**−32**	**25**
						Foreign securities					
35	**Stocks, net purchases, or sales (−)**	**−189**	**322**	**−618**	**−109**	**−62**	**−40**	**−7**	**−56**	**−263**	**63**
36	Foreign purchases	1,541	1,937	1,360	130	187	157	204	173	159	169
37	Foreign sales	1,730	2,259	1,976	238	249	197	211	229	421	232
38	**Bonds, net purchases, or sales (−)**	**−6,325**	**−8,729**	**3,342**	**−374**	**−56**	**−11**	**−866**	**−765**	**−205**	**−992**
39	Foreign purchases	2,383	4,932	5,514	581	628	606	607	636	786	852
40	Foreign sales	8,708	13,661	8,855	955	684	617	1,473	1,401	991	1,843
41	**Net purchases, or sales (−) of stocks and bonds**	**−6,515**	**−9,050**	**3,960**	**−483**	**−118**	**−51**	**−873**	**−821**	**−467**	**−1,055**
42	**Foreign countries**	**−4,323**	**−7,155**	**−2,512**	**−488**	**−149**	**4**	**201**	**−692**	**−391**	**213**
43	Europe	−53	−844	842	−207	54	2	−124	271	−267	8
44	Canada	−3,202	5,246	−1,700	−265	−83	−94	−128	−292	−241	−255
45	Latin America	−306	1	164	42	35	69	−13	−39	52	−7
46	Asia	−622	700	−162	−61	−155	25	62	−94	59	55
47	Africa	15	48	5	2	*	*	*	3	1	*
48	Other countries	−155	416	22	1	*	2	2	2	5	1
49	**Nonmonetary international and regional organizations**	**−2,192**	**−1,898**	**1,448**	**5**	**31**	**55**	**−673**	**−129**	**−76**	**841**

1 Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2 Includes Middle East oil-exporting countries until 1975.

3 Includes State and local government securities, and securities of U.S. Govt. agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.26 SHORT-TERM LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Nonbanking Concerns in the United States

Millions of dollars, end of period

	Type, and area or country	Liabilities to foreigners 1976 Mar.	June	Sept.	Dec.	1977 Mar.p	Claims on foreigners 1976 Mar.	June	Sept.	Dec.	1977 Mar.p
1	**Total**	**6,365**	**6,307**	**6,449**	**6,654**	**6,632**	**12,699**	**13,847**	**13,172**	**14,188**	**14,956**
	By type:										
2	*Payable in dollars*	*5,715*	*5,683*	*5,715*	*5,943*	*5,871*	*11,712*	*12,850*	*12,111*	*13,205*	*14,004*
3	*Payable in foreign currencies*	*650*	*625*	*734*	*710*	*762*	*988*	*997*	*1,060*	*984*	*952*
4	Deposits with banks abroad in reporter's name	....	....	....	....	....	480	558	592	442	387
5	Other	....	....	....	....	....	508	439	468	541	565
	By area or country:										
6	**Foreign countries**	**6,146**	**6,061**	**6,263**	**6,445**	**6,441**	**12,697**	**13,846**	**13,170**	**14,187**	**14,953**
7	*Europe*	*2,337*	*2,271*	*2,386*	*2,227*	*2,124*	*4,932*	*5,326*	*5,151*	*5,271*	*5,217*
8	Austria	6	13	15	10	9	17	17	21	21	23
9	Belgium-Luxembourg	296	233	183	166	169	116	193	195	164	170
10	Denmark	12	12	13	7	15	35	30	26	56	49
11	Finland	5	1	17	2	2	31	131	135	77	40
12	France	205	159	185	200	163	355	363	413	426	422
13	Germany	152	228	256	174	173	305	358	492	378	366
14	Greece	25	29	28	48	80	41	47	56	51	90
15	Italy	125	116	148	131	135	406	335	358	384	473
16	Netherlands	162	170	141	141	168	176	146	142	166	172
17	Norway	23	22	24	29	37	58	52	43	51	42
18	Portugal	3	3	5	13	23	45	22	28	40	35
19	Spain	68	51	36	40	52	516	432	336	369	325
20	Sweden	25	24	35	34	35	80	84	62	90	92
21	Switzerland	162	213	243	190	214	207	270	253	241	154
22	Turkey	14	20	16	13	12	26	31	23	25	32
23	United Kingdom	924	837	888	879	689	2,282	2,602	2,365	2,445	2,476
24	Yugoslavia	91	108	113	123	113	30	28	30	26	30
25	Other Western Europe	6	7	8	7	6	18	14	17	20	18
26	U.S.S.R.	23	10	19	9	15	106	96	81	156	104
27	Other Eastern Europe	10	16	14	13	13	80	75	79	85	36
28	*Canada*	*315*	*373*	*328*	*380*	*404*	*2,234*	*2,202*	*2,197*	*2,465*	*2,428*
29	*Latin America*	*1,194*	*1,095*	*1,028*	*1,036*	*1,117*	*2,565*	*3,055*	*2,816*	*3,563*	*4,358*
30	Argentina	49	49	48	44	42	48	43	39	44	47
31	Bahamas	376	330	251	260	256	883	1,150	925	1,367	1,824
32	Brazil	97	97	58	72	49	475	462	417	683	536
33	Chile	11	15	16	17	16	27	46	26	34	35
34	Colombia	16	19	11	13	18	47	57	66	59	75
35	Cuba	*	*	*	*	*	1	1	1	1	1
36	Mexico	92	72	74	98	117	332	332	352	332	317
37	Panama	10	12	10	34	12	84	101	83	74	105
38	Peru	30	31	32	25	24	38	39	35	42	32
39	Uruguay	2	3	3	4	4	4	4	22	5	6
40	Venezuela	163	184	222	219	260	156	186	215	194	214
41	Other Latin American republics	75	99	104	141	101	170	184	179	276	234
42	Netherlands Antilles [1]	58	55	68	10	11	7	10	9	9	14
43	Other Latin America	214	130	129	100	160	294	440	447	441	918
44	*Asia*	*1,733*	*1,752*	*2,027*	*2,138*	*2,154*	*2,491*	*2,729*	*2,421*	*2,325*	*2,371*
45	China, People's Republic of (Mainland)	5	8	7	20	27	35	23	11	23	30
46	China, Republic of (Taiwan)	110	124	129	112	113	100	215	136	200	130
47	Hong Kong	23	28	33	40	42	66	104	88	96	107
48	India	9	10	11	23	39	60	51	53	55	36
49	Indonesia	141	133	144	134	137	155	160	193	210	246
50	Israel	26	34	32	39	37	42	53	48	41	50
51	Japan	307	290	275	229	206	1,163	1,170	1,010	908	963
52	Korea	53	62	85	77	97	105	131	142	118	130
53	Philippines	18	18	28	53	59	106	114	93	86	84
54	Thailand	18	11	23	24	19	20	19	23	22	26
55	Other Asia	1,022	1,035	1,260	1,385	1,378	638	691	624	566	566
56	*Africa*	*502*	*527*	*426*	*588*	*574*	*343*	*378*	*406*	*392*	*429*
57	Egypt	30	22	25	27	29	22	28	36	28	71
58	Morocco	7	32	42	43	27	10	12	9	10	12
59	South Africa	113	88	65	54	33	80	83	78	87	80
60	Zaire	7	12	24	36	39	23	25	28	21	17
61	Other Africa	345	372	270	429	446	207	230	255	247	249
62	*Other countries*	*65*	*44*	*67*	*76*	*68*	*133*	*155*	*178*	*172*	*150*
63	Australia	47	32	59	57	49	97	100	112	107	114
64	All other	18	12	18	19	19	36	56	67	65	36
65	**Nonmonetary international and regional organizations**	**219**	**246**	**186**	**208**	**192**	**1**	**1**	**1**	**1**	**2**

[1] Includes Surinam until 1976.

NOTE.—Reported by exporters, importers, and industrial and commercial concerns and other nonbanking institutions in the United States. Data exclude claims held through U.S. banks and intercompany accounts between U.S. companies and their affiliates.

3.27 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Large Nonbanking Concerns in the United States

Millions of dollars, end of period

	Type and country	1973	1974	1975	1976	1977					
						Feb.	Mar.	Apr.	May	June	July^p
1	**Total**	**3,185**	**3,357**	**3,799**	**5,440**	**5,590**	**6,314**	**6,226**	**7,370**	**7,558**	**7,357**
	By type:										
2	*Payable in dollars*	*2,641*	*2,660*	*3,042*	*4,772*	*4,935*	*5,696*	*5,555*	*6,736*	*6,817*	*6,618*
3	Deposits	2,604	2,591	2,710	4,399	4,558	5,241	4,973	6,213	6,352	6,195
4	Short-term investments [1]	37	69	332	373	377	455	582	523	465	424
5	*Payable in foreign currencies*	*544*	*697*	*757*	*669*	*654*	*619*	*672*	*634*	*741*	*139*
6	Deposits	431	429	511	383	339	317	362	300	340	352
7	Short-term investments [1]	113	268	246	286	315	302	310	334	401	387
	By country:										
8	United Kingdom	1,128	1,350	1,306	1,837	1,846	1,879	1,713	1,889	2,252	2,123
9	Canada	775	967	1,156	1,539	1,338	1,468	1,503	1,642	1,650	1,725
10	Bahamas	597	391	546	1,247	1,412	1,709	1,649	2,350	2,064	2,113
11	Japan	336	398	343	113	165	147	155	158	178	149
12	All other	349	252	446	704	829	1,111	1,206	1,331	1,414	1,247

1 Negotiable and other readily transferable foreign obligations payable on demand or having a contractural maturity of not more than 1 year from the date on which the obligation was incurred by the foreigner.

NOTE. Data represent the assets abroad of large nonbanking concerns in the United States. They are a portion of the total claims on foreigners reported by nonbanking concerns in the United States and are included in the figures shown in Table 3.26.

3.28 LONG-TERM LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Nonbanking Concerns in the United States

Millions of dollars, end of period

	Area and country	1976				1977	1976				1977
		Mar.	June	Sept.	Dec.	Mar.^p	Mar.	June	Sept.	Dec.	Mar.^p
		Liabilities to foreigners					Claims on foreigners				
1	**Total**	**4,064**	**3,928**	**3,718**	**3,508**	**3,438**	**5,178**	**5,037**	**4,974**	**4,979**	**4,936**
2	Europe	3,109	2,985	2,813	2,693	2,617	973	984	953	910	897
3	Germany	446	425	406	396	391	34	35	73	72	84
4	Netherlands	214	214	270	258	254	22	211	211	156	154
5	Switzerland	484	467	327	260	178	56	56	54	57	52
6	United Kingdom	1,572	1,486	1,445	1,409	1,372	349	365	298	297	257
7	Canada	144	166	111	89	82	1,468	1,511	1,507	1,530	1,470
8	Latin America	248	222	230	243	244	1,776	1,609	1,552	1,521	1,488
9	Bahamas	184	157	132	138	139	7	37	37	36	34
10	Brazil	5	5	5	5	5	183	165	172	133	124
11	Chile	1	1	1	1	1	312	306	244	248	210
12	Mexico	6	6	7	17	19	209	187	219	195	180
13	Asia	495	489	498	423	432	685	712	739	773	816
14	Japan	394	388	402	397	413	129	85	80	77	96
15	Africa	2	2	2	2	2	214	163	165	187	198
16	All other [1]	65	64	64	58	59	61	59	58	58	67

1 Includes nonmonetary international and regional organizations.

3.29 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Per cent per annum

Country	Rate on Sept. 30, 1977 Per cent	Month effective	Country	Rate on Sept. 30, 1977 Per cent	Month effective	Country	Rate on Sept. 30, 1977 Per cent	Month effective
Argentina	18.0	Feb. 1972	France	9.5	Aug. 1977	Norway	6.0	Sept. 1976
Austria	5.5	June 1977	Germany, Fed. Rep. of	3.5	Sept. 1975	Sweden	8.0	Oct. 1976
Belgium	6.0	June 1977	Italy	11.5	Aug. 1977	Switzerland	1.5	July 1977
Brazil	28.0	May 1976	Japan	4.25	Sept. 1977	United Kingdom	6.0	Sept. 1977
Canada	7.5	May 1977	Mexico	4.5	June 1942	Venezuela	5.0	Oct. 1970
Denmark	9.0	Mar. 1977	Netherlands	3.5	May 1977			

NOTE.—Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/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 the central bank transacts the largest proportion of its credit operations.

3.30 FOREIGN SHORT-TERM INTEREST RATES

Per cent per annum, averages of daily figures

Country, or type	1974	1975	1976	1977 Apr.	May	June	July	Aug.	Sept.
1 Euro-dollars	11.01	7.02	5.58	5.16	5.80	5.78	5.80	6.30	6.56
2 United Kingdom	13.34	10.63	11.35	8.59	7.63	7.81	7.77	6.91	6.03
3 Canada	10.47	8.00	9.39	7.58	7.44	7.16	7.27	7.44	7.31
4 Germany	9.80	4.87	4.19	4.57	4.43	4.24	4.20	4.04	4.07
5 Switzerland		3.01	1.45	2.61	3.98	3.80	3.01	2.41	2.37
6 Netherlands		5.17	7.02	4.89	3.03	2.84	3.05	3.48	4.39
7 France		7.91	8.65	9.33	9.13	9.01	8.67	8.51	8.38
8 Italy		10.37	16.32	16.26	15.49	14.65	14.09	13.94	12.42
9 Belgium		6.63	10.25	7.01	6.94	6.88	6.85	6.20	6.20
10 Japan		11.64	7.70	6.46	5.75	6.05	6.25	6.24	5.32

NOTE.—Rates are for 3-month interbank loans except for—Canada, finance company paper; Belgium, time deposits of 20 million francs and over; and Japan, loans and discounts that can be called after being held over a minimum of two month-ends.

3.31 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

Country/currency	1974	1975	1976	1977 Apr.	May	June	July	Aug.	Sept.
1 Australia/dollar	143.89	130.77	122.15	110.53	110.31	110.80	112.20	110.47	110.37
2 Austria/shilling	5.3564	5.7467	5.5744	5.9252	5.9533	5.9647	6.1691	6.0792	6.0377
3 Belgium/franc	2.5713	2.7253	2.5921	2.7509	2.7700	2.7713	2.8208	2.8107	2.7910
4 Canada/dollar	102.26	98.30	101.41	95.103	95.364	94.549	94.230	93.028	93.168
5 Denmark/krone	16.442	17.437	16.546	16.710	16.638	16.544	16.769	16.590	16.188
6 Finland/markka	26.565	27.285	25.938	24.899	24.530	24.524	24.902	24.801	23.977
7 France/franc	20.805	23.354	20.942	20.133	20.190	20.240	20.607	20.415	20.314
8 Germany/deutsche mark	38.723	40.729	39.737	42.119	42.394	42.453	43.827	43.168	43.034
9 India/rupee	12.460	11.926	11.148	11.310	11.320	11.286	11.342	11.465	11.450
10 Ireland/pound	234.03	222.16	180.48	171.90	171.85	171.91	172.26	173.97	174.31
11 Italy/lira	.15372	.15328	.12044	.11264	.11279	.11295	.11330	.11332	.11318
12 Japan/yen	.34302	.33705	.33741	.36339	.36046	.36652	.37756	.37499	.37486
13 Malaysia/ringgit	41.682	41.753	39.340	40.305	40.255	40.270	40.443	40.606	40.600
14 Mexico/peso	8.0000	8.0000	6.9161	4.4076	4.3890	4.3582	4.3528	4.3629	4.3776
15 Netherlands/guilder	37.267	39.632	37.846	40.464	40.7009	40.326	40.983	40.831	40.604
16 New Zealand/dollar	140.02	121.16	99.115	96.129	96.002	96.264	97.160	96.826	96.812
17 Norway/krone	18.119	19.180	18.327	18.909	18.956	18.915	19.023	18.863	18.226
18 Portugal/escudo	3.9506	3.9286	3.3159	2.5752	2.5818	2.5802	2.5953	2.5678	2.4606
19 South Africa/rand	146.98	136.47	114.85	114.93	115.00	114.88	114.98	115.00	115.00
20 Spain/peseta	1.7337	1.7424	1.4958	1.4536	1.4491	1.4404	1.2382	1.1804	1.1824
21 Sri Lanka/rupee	14.978	14.385	11.908	13.676	13.700	13.664	13.700	13.721	12.301
22 Sweden/krona	22.563	24.141	22.957	23.004	22.962	22.625	22.991	22.472	20.602
23 Switzerland/franc	33.688	38.743	40.013	39.582	39.694	40.170	41.487	41.523	42.115
24 United Kingdom/pound	234.03	222.16	180.48	171.90	171.85	171.91	172.26	173.97	174.31
MEMO:									
25 United States/dollar [1]	84.11	82.20	89.68	90.13	89.99	89.91	88.67	89.10	89.52

[1] Index of weighted-average exchange value of U S. dollar against currencies of other G-10 countries plus Switzerland. May 1970 parities = 100. Weights are 1972 global trade of each of the 10 countries.

NOTE.—Averages of certified noon buying rates in New York for cable transfers.

Guide to Tabular Presentation and Statistical Releases

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

p	Preliminary
r	Revised
rp	Revised preliminary
e	Estimated
c	Corrected
n.e.c.	Not elsewhere classified
Rp's	Repurchase agreements
IPC's	Individuals, partnerships, and corporations
SMSA's	Standard metropolitan statistical areas
REIT's	Real estate investment trusts
*	Amounts insignificant in terms of the particular unit (e.g., less than 500,000 when the unit is millions)
......	(1) Zero, (2) no figure to be expected, or (3) figure delayed or, (4) no change (when figures are expected in percentages).

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. Govt. securities" may include guaranteed issues of U.S. Govt. agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local govt." also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

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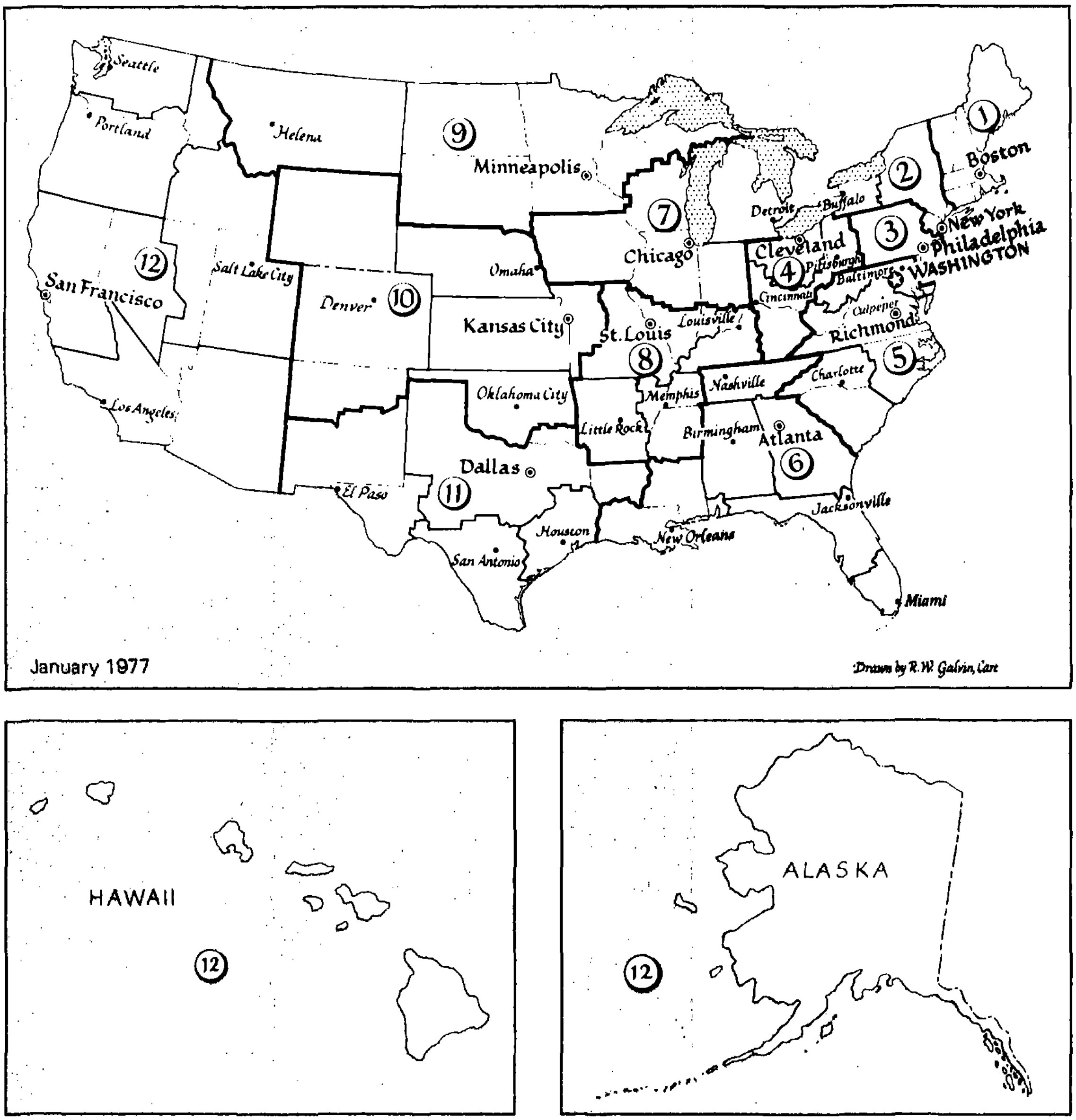
Boundaries of Federal Reserve Districts and Their Branch Territories



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