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M2 and to lower the 1990 range for M3 by 1½ percentage points to 1 to 5 percent; the monitoring range for total nonfinancial debt was maintained at 5 to 9 percent. The Committee approved provisional ranges for 1991 that involved reductions of ½ percentage point for M2 and nonfinancial debt from the 1990 ranges and no further change in the M3 range from the reduced 1990 range.

With regard to the implementation of policy for the period immediately ahead, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions for at least a short period after this meeting; subsequently, some slight easing of reserve conditions could be implemented unless incoming data on the monetary aggregates and the economy evidenced greater strength. The directive provided that slightly greater reserve restraint might be acceptable during the intermeeting period or somewhat lesser restraint would be acceptable depending on progress toward price stability, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated at this meeting were expected to be consistent with growth of M2 and M3 at annual rates of 3 and 1 percent respectively over the three-month period from June to September. The intermeeting range for the federal funds rate was left unchanged at 6 to 10 percent.

Banking Markets and the Use of Financial Services by Small and Medium-Sized Businesses

This article was prepared by Gregory E. Elliehausen and John D. Wolken of the Board's Division of Research and Statistics.

A longstanding and contentious problem in the antitrust analysis of proposed bank mergers has been the definition of the geographic area and services that constitute a particular market for financial services. The issues involved can be illustrated by two questions that arise in the following example. A commercial bank wants to acquire another located in the same metropolitan area. If one considers only the banks in that area, the acquisition would apparently reduce competition for banking services in that locality. The first question is, Does the presence of commercial banks outside the area mitigate the anticompetitive effects? The second is, Would the anticompetitive effects be lessened if nonbank institutions in the area offered some (but not all) of the services offered by the two banks?

Any definition of a banking market implies answers to these questions regarding the geographic extent of that market and the scope of services to be included. Although buttressed by recent general empirical evidence and market surveys conducted in specific cases, the definition of banking markets has generally relied on Supreme Court decisions from the 1960s and early 1970s. Given the deregulation and financial innovations of recent years, the definition derived from those decisions may be based on outdated perceptions and data.

The current approach to market definition holds that the costs of information and transportation incurred by customers searching for, and using, distant or specialized institutions are prohibitive, as are the information costs incurred by a financial institution in evaluating a nonlocal business seeking credit. Hence, according to this view, financial services in the main are offered by, and obtained from, local commercial banks. In terms of the opening example, the current approach would answer both questions in the negative—neither the banks outside the area nor the services available from nonbank suppliers would be viewed as important alternative supplies of banking services for the area and thus would be considered not to mitigate the anticompetitive effects within the area.

A contrary argument would answer that deregulation and advances in telecommunications in recent years have lowered the costs of information and of travel, and the lower costs have widened the range of institutions and the distance over which firms select their financial services. Hence, in terms of the opening example, this argument would answer both questions in the affirmative. First, the extent of the relevant market area would have expanded from metropolitan to regional or national. The market therefore would be less "concentrated" (that is, would have more competitors) than before, and the proposed acquisition would be less likely to reduce competition below an acceptable level. Second, because the cost of using specialized vendors for specific products has decreased, commercial banks and nonbank

NOTE. This article summarizes Gregory E. Elliehausen and John D. Wolken, *Banking Markets and the Use of Financial Services by Small and Medium-Sized Businesses*, Staff Studies 160 (Board of Governors of the Federal Reserve System, 1990), which is the first report of the results from the 1988–89 National Survey of Small Business Finances. An announcement of the availability for public use of the data file from the survey will appear in the January 1991 issue of the *Federal Reserve Bulletin*.

financial institutions have become closer competitors than they were in years past.

Resolution of these questions requires empirical evidence. To review its approach to market definition in antitrust analysis of bank mergers and acquisitions, the Board of Governors commissioned surveys to learn more about the use of financial services by consumers and by small and medium-sized business firms, the major customer groups whose demand is most likely to be limited to local commercial banks.

This article presents findings on the issue of market definition from the survey of businesses. This survey, sponsored jointly by the Board of Governors of the Federal Reserve System and the Small Business Administration, is the National Survey of Small Business Finances (NSSBF), a nationally representative sample of 3,405 firms that encompasses size classes we shall hereafter call small (0–49 employees) and medium-sized (50–499 employees). Such firms account for the vast majority of enterprises in the United States and for a substantial share of business output, but little is known about their use of financial services and institutions. The sample taken in the NSSBF represents the population of small and medium-sized firms more accurately and covers their use of financial services and financial institutions more thoroughly than any other survey to date. The survey data permit an investigation of the full range of financial services and institutions used by small and medium-sized firms and the distances over which these firms handle their financial affairs, an analysis that is necessary for assessing financial service markets. (See the appendix for a description of the survey.)

DEFINING BANKING MARKETS

Analyzing proposed bank mergers for their effect on competition and hence for their potential violation of antitrust statutes requires a case-by-case definition of the relevant economic market. Conceptually, defining a market involves identifying all firms affecting the price and quantity of a good or service and the specification of both the geographic extent and the variety of products to be covered.

The current approach to market definition in commercial banking was established by the 1963 decision of the Supreme Court in *United States v. Philadelphia National Bank* and was subsequently supported by numerous case studies in specific areas of the country.[1] In its decision, the Supreme Court determined that in banking cases the product line for antitrust purposes was that offered by commercial banks; only institutions offering the full "cluster" of bank services thus defined—including demand deposits and commercial loans—belonged in bank markets. As for the geographic market, the Court concluded that because the majority of bank customers are consumers and small businesses and because these customers generally restrict their purchases to local banks, the geographic market for banking is local—a definition that has not been as easy to interpret and follow as the Court's definition of product market. This market definition for commercial banking is still in use today, with some adjustments allowed for thrift institutions.[2]

1. In *United States v. Philadelphia National Bank*, 374 U.S. 321, the Court ruled that commercial banking was subject to the conditions of section 7 of the Clayton Act, which prohibits the acquisition of any firm when "in any line of commerce in any section of the country the effect of such acquisition may be to substantially lessen competition" (section 7, U.S.C. section 18, 1976). For examples of case studies of bank market definition subsequent to the Philadelphia National Bank case, see Ralph H. Gelder and George Budzeika, "Banking Market Determination—The Case of Central Nassau County," Federal Reserve Bank of New York, *Monthly Review*, vol. 52 (July–August 1970), pp. 258–66; and Clifton B. Luttrell and William E. Pettigrew, "Banking Markets for Business Firms in the St. Louis Area," Federal Reserve Bank of St. Louis, *Review*, vol. 48 (September 1966), pp. 9–12; for a more complete discussion, see John D. Wolken, *Geographic Market Delineation: A Review of the Literature*, Staff Studies 140 (Board of Governors of the Federal Reserve System, 1984).

2. In a 1974 decision, the Supreme Court noted that thrift institutions and other nonbank institutions had made competitive inroads in some services. The Court decided, however, that to be included as full competitors in bank markets, these institutions had to be important suppliers of the entire cluster of bank services; see *United States v. Connecticut National Bank*, 418 U.S. 656 (1974). The current practice of antitrust analysts is to judge whether thrift institutions in specific areas offer significant competition to commercial bank services and, if so, to include them in the structural indexes of market competition.

In recent years, technological progress, market innovations, and numerous changes in financial regulation may have invalidated the current approach to market definition regarding product and geographic markets in banking:

- Advances in telecommunications allow financial institutions to supply many services over large areas at low cost.
- Thrift institutions today can offer virtually all products that banks offer.
- Nondepository financial institutions and nonfinancial firms increasingly offer financial services similar to those traditionally offered by banks.
- Banks have much greater freedom to create branches within states, and bank holding companies can expand more readily across state lines.

Thus, the suppliers of financial products may have increased, and the difficulties in servicing larger areas may have decreased.

Nonetheless, the geographic extent of banking markets may still be limited for many financial services. Despite the changes brought about by deregulation, barriers to entry may still exist. And despite the lowering of costs through electronic technologies, distance-sensitive transaction costs such as those for transportation, information, and search are nevertheless likely to remain an important consideration in choosing financial institutions. These arguments, which are relevant particularly to small and medium-sized businesses and to households, are supported in part by the heretofore limited evidence that these groups continue to obtain most bank services from commercial banks and thrift institutions, that these institutions are usually local, and that purchases are often obtained as a cluster from a single institution.

In this article, we use the data from the NSSBF to explore the following questions on the definition of banking markets for small and medium-sized firms:

- How wide is the area within which small and medium-sized firms obtain financial services, search among alternative suppliers, and receive solicitations?
- To what extent do financial institutions other than commercial banks provide financial services to small and medium-sized businesses? Is the geographic distribution of these suppliers the same as that for banks?
- What is the geographic area for each of the different types of financial services?
- Does a firm purchase financial services as a bundle from one financial institution? Do these services tend to be purchased only as a bundle, or do some firms purchase them separately from different institutions? Are services purchased as a bundle obtained from the same geographic area as services purchased separately?
- What factors (for example, product type, institution class, firm characteristics, local market conditions) influence the geographic reach of firms seeking financial services?

A Transaction-Cost Model of Demand for Financial Services

A key question is whether banking markets for small and medium-sized business firms are local to the firms. Our premise is that current demand patterns define market boundaries. However, because demand patterns cannot conclusively delineate market boundaries, we must consider how interactions among local supply and demand, nonlocal supply and demand, and transaction costs can affect the observed use of financial services.[3]

For two areas to be in the same economic market, prices of identical products in the two areas must be equal, and the transaction costs between the two areas that customers and institutions face must be negligible. Significant transaction costs will cause consumers to have a decided preference to purchase from local suppliers and will give those suppliers some degree of market power.[4] The greater the transaction costs for nonlocal purchases, the greater is the

3. None of the approaches discussed, including ours, can fully account for the influence of potential competitors on existing supply and demand, although studies using price data can come closest to doing so.

4. This assumes that significant entry costs exist. If entry costs are negligible, then any attempt by local suppliers to raise prices should be thwarted by the entry, or the threat of entry, of nonlocal suppliers.

potential market power for local suppliers. And the more transaction costs increase with distance, the smaller will be the geographic market.

If prices in the two areas differ, then the two areas may represent different economic markets. Generally, prices will be higher in less competitive markets and in markets with lower supply. This generalization implies that buyers in less competitive markets will more often use nonlocal suppliers than will buyers in competitive markets, other things equal. In contrast, if these two areas are not separate economic markets, local competitive conditions should not have this effect.

Determinants of Transaction Costs

Two components of transaction costs are those for transportation and those for information. Transportation costs vary directly with the number of transactions a buyer has with a financial institution, the distance between the firm and the financial institution, and the need to conduct transactions with the institution in person rather than by telephone or mail.

For buyers (firms), information costs include the cost of searching for information about alternative suppliers; for sellers (financial institutions), they include the cost of evaluating and monitoring the creditworthiness of firms. The search costs of firms tend to vary directly with the distance between the firm and the financial institutions and the degree to which financial services are heterogeneous.

Transaction costs for financial institutions arise mainly in the credit area. An institution will have greater difficulty evaluating and monitoring firms operating in distant areas than evaluating and monitoring those operating in its own marketing area. An institution will be less likely, for example, to know the reputation of distant firms or to know the product markets in which distant firms operate. Moreover, in some cases, a financial institution may need to send a representative to visit a distant firm to obtain the necessary information for credit evaluation or monitoring. Thus, the information costs of financial institutions may also vary directly with distance from the firm.

To reduce the costs of credit evaluation and monitoring, financial institutions can make arrangements such as restrictive covenants, collateral agreements, and guarantor requirements to limit loan losses in the event of default and thereby reduce their costs of dealing with distant borrowers.

Choosing the Location of Financial Service Providers

Consideration of these transaction costs suggests some hypotheses about the location of the supplier for particular financial services. First, demand deposit accounts are likely to have relatively high transaction costs because of frequent deposits and withdrawals. This consideration is particularly important for retail firms, which typically make frequent withdrawals of cash for making change and frequent deposits of receipts from sales. Therefore, checking accounts for businesses can be expected to have relatively small geographic markets. Similarly, financial products such as cash management services, currency and coin services, and credit card processing involve frequent transactions and are thus also likely to have relatively small geographic markets.

Savings and investment accounts (hereafter, savings accounts) may have larger geographic markets than checking accounts. One reason for the difference is that, with generally fewer deposits and withdrawals, savings accounts have lower transportation costs. Another reason is that the expected return from a buyer's search for a savings account may be higher than that for a demand deposit account: For a given amount of cash, firms seek to keep as little as possible in non-interest-paying checking accounts and as much as possible in savings accounts; thus, savings balances may be larger than demand deposit balances. Although search costs increase with distance, expected benefits increase with the size of the account, so firms are likely to search over a wider geographic area for savings accounts than for checking accounts.

On similar reasoning, secured credit and leases can be expected to have larger geographic markets than unsecured credit: The collateral reduces creditors' exposure to loss and hence reduces the expenditures required for credit information and monitoring.

The Effect of Firm Size on the Choice of Institution

Generally, larger firms operate in larger geographic markets for financial services than those in which smaller firms operate simply because their demand is larger and because some specialized services usually not needed by smaller firms may be unavailable from the closest financial institution. For example, larger firms are more likely than smaller firms to seek large loans. Because search costs tend to be fixed and benefits to vary directly with the size of loan, the net expected benefit from searching outside the local area for better loan terms is likely to be greater for larger firms.

For another example of the effect of firm size, large firms are more likely than small firms to have multiple locations, some of which may be distant from the main office of the firm. Because of transaction costs, such firms would be more likely than small, single-office firms to use financial institutions located outside the local area of the main office.

The size of the firm also affects the information costs of financial institutions. Large firms are more likely than small firms to be known outside the areas in which they are located, either directly or through their contacts with other businesses. They are also more likely to have the financial information desired by financial institutions because they have more sophisticated accounting records than do small firms, which are typically managed by their owners. Moreover, because bankruptcy costs have a large fixed component, the cost of default as a share of assets is greater for small firms than it is for large firms. Thus, the amount that creditors can recover from small firms is more limited. The lack of information and the relatively high cost of bankruptcy make lending to small firms more expensive for financial institutions than lending to large firms. Thus, distant suppliers are less likely to accept applications for credit from small firms than they are to accept applications from large firms, especially when the desired credit would be unsecured.

The information costs borne by any financial institution for credit evaluation and monitoring of customer firms tend to be higher relative to the size of the transaction for small firms than for large firms, and this cost difference is likely to be greater when the financial institution is a distant one. In turn, because of these cost differentials, institutions are more likely to screen out small firms, especially distant ones, as potential customers for loans. Thus, a small firm has a greater incentive than does a large firm to borrow from the same institution from which it obtains checking and to maintain a long-term relation with that institution. A long-term checking account is pivotal because it reveals the firm's cash flow and thus reduces the cost to the financial institution of credit evaluation and monitoring. For this reason, small firms are more likely than large firms to maintain a working relationship with a financial institution rather than seek out different suppliers for different financial products. In other words, small firms are more likely than large firms to depend on their primary institution for credit and to use fewer institutions. The primary institution is likely to be local because of the transaction costs associated with checking.

In sum, consideration of the effect of transportation costs, search costs, and firm size on a firm's demand for financial services and on the information costs of financial institutions suggests that medium-sized firms (50–499 employees) and large firms (500 employees or more) would be more likely than small firms to use nonlocal financial institutions.

LOCAL SUPPLY CONDITIONS

Characteristics of the local area may affect the likelihood that a firm will use nonlocal financial institutions. For example, demand in rural areas for some financial services is often too small for local suppliers to offer them. Rural firms demanding such services will be forced to use nonlocal suppliers, even if they have to incur large transaction costs, whereas urban firms with similar demands may be able to obtain the services locally.

The structure of the local banking industry may be another factor affecting the use of nonlocal suppliers. If prices of financial services are higher in areas in which a few banks and thrift institutions have a greatly disproportionate share of the market than they are in areas in which such institutions are less concentrated, and if transaction costs are not trivial, then we expect to find firms in concentrated areas to be more likely than firms in unconcentrated areas to use nonlocal financial institutions. Because of transaction costs, firms in an unconcentrated market will not find using nonlocal suppliers economical. Some firms in a concentrated market, however, may find using nonlocal suppliers, even with transaction costs, less expensive than using local suppliers. Such a relation between bank structure and the use of nonlocal suppliers would be consistent with local markets.

A finding of no relation between local bank concentration and the use of nonlocal suppliers by itself, however, provides no guidance as to the geographic dimensions of a banking market. The existence of a local market would be consistent with this finding if the transaction costs of purchasing nonlocally supplied services exceeded the benefits of obtaining a lower price outside the local area. In this case, local and nonlocal services would be poor substitutes. Alternatively, finding no relation between local bank structure and the use of nonlocal service suppliers could indicate that prices did not differ between local and nonlocal suppliers and thus that both sets of suppliers belonged to the same economic market.

THE LOCATIONS AND TYPES OF FINANCIAL INSTITUTIONS USED BY THE FIRMS

Based on an analysis of the data from the survey, this section examines the different classes of financial institutions that small and medium-sized businesses use and the degree to which those institutions are local. The importance of a type of financial institution is measured by the frequency with which the firms use it.

The financial institutions covered are commercial banks; thrift institutions (savings and loan associations, savings banks, and credit unions); finance companies; leasing companies; and money market mutual fund companies, brokerage companies, mortgage banks, and insurance companies. Firms rarely purchase financial services from nonfinancial institutions. We define an institution as local to a firm if it is located thirty miles or less from the firm's main office.[5]

The financial products covered are checking accounts; other deposit and investment (savings) accounts; credit (financial leases, lines of credit, mortgages, motor vehicle loans, equipment loans, and other credit);[6] transaction services (currency and coin services, credit card processing, and night depository); cash management services (cash management, lock boxes, and wire transfers); credit-related services (bankers acceptances, sales financing, letters of credit, and factoring); brokerage; and

1. Percentage of small and medium-sized firms using local and nonlocal financial institutions, by type of institution[1]

Financial institution	Local	Nonlocal	Total
All	97.1	19.7	98.2
Commercial bank	92.8	8.3	94.0
Nonbank	26.3	13.5	35.5
Thrift[2]	13.1	1.3	14.1
Finance	8.2	7.2	14.3
Leasing	2.5	3.2	5.4
Other[3]	4.9	2.6	7.4

1. Use of a financial institution consists of use of one or more of the following services: checking, savings (other deposit or investment account); leasing; line of credit, mortgage, motor vehicle, equipment, or other credit; currency and coin, credit card processing, and night depository; cash management, lockbox, and wire transfer; bankers acceptances, sales finance, letter of credit, and factoring; brokerage; and pensions, trusts, and safekeeping of securities.

Local institutions are thirty miles or less from the principal office of the firm.

Sum of components may exceed totals because some firms use more than one institution.

2. Savings and loan associations, savings banks, and credit unions.

3. Brokerage and money market mutual fund companies, mortgage banks, and insurance companies.

5. The use of exactly thirty miles as a boundary value is not critical. At a thirty-mile limit, 97.1 percent of firms use one or more local financial institutions; at a twenty-mile limit the percentage is 96.3, and at thirty-five miles the percentage is again 97.1.

A second type of definition for a local financial institution was considered: existence of a branch in the same metropolitan area (urban firms) or county (rural firms) as the firm's main office. Because miles better reflect distance, the analysis using miles is reported. The basic conclusions would be the same in either case.

6. A financial lease is a long-term lease in which the present value of the stream of payments at the inception of the lease approximates the market value of the asset; such a lease is essentially similar to the purchase of the asset using credit.

2. Mean number of local and nonlocal financial institutions used per small and medium-sized firm, by type of institution[1]

Financial institution	Local	Nonlocal	Total	MEMO Percentage of all institutions used
All	1.53	.26	1.79	100
Commercial bank	1.21	.10	1.31	73.2
Nonbank	.32	.16	.48	26.8
Thrift	.14	.01	.15	8.4
Finance	.09	.08	.17	9.5
Leasing	.03	.04	.07	3.9
Other	.06	.03	.09	5.0

1. Components may not sum to totals because of rounding. See notes to table 1 for definitions.

trust services (pensions, trusts, and safekeeping of securities).

Tables 1, 2, and 3 present survey findings on the use of various types of local and nonlocal financial institutions. The vast majority of the firms, 97.1 percent, reported using a local institution, and 92.8 percent reported using a local commercial bank (table 1).[7] On average, firms use fewer than two financial institutions (1.53), and at least one of these institutions (1.21) is almost always a local commercial bank (table 2). About 46 percent (50.1 percent of 0.92) of firms rely solely on one local commercial bank (table 3). For firms using more than one financial institution, about four-fifths of the institutions are local, and 59 percent of institutions are local commercial banks.[8] Thus, the survey shows local institutions, especially local commercial banks, to be the dominant suppliers of financial services to small and medium-sized businesses. Nonetheless, nonlocal institutions are important to some firms—one-fifth report using a financial institution located more than thirty miles from the firm's main office (table 1).

On average, the firms use nearly three times as many commercial banks as they do nonbank financial institutions—1.31 commercial banks versus 0.48 nonbanks (table 2). Finance companies, the most commonly used nonbank institutions, account for 9.5 percent of all institutions used and 35 percent of nonbank institutions used. Thrift institutions, the second most frequently used nonbank, account for 8.4 percent of all institutions used and for nearly one-third of the nonbank institutions used. The remaining third of nonbanks used includes mortgage bankers and insurance companies but consists primarily of brokerage firms and leasing companies.

Thrift institutions, like commercial banks, tend to be located close to the firms that use them (table 2). In contrast, geographic proximity is not a distinguishing characteristic of other classes of financial institutions. Finance companies and leasing companies are divided almost equally between local and nonlocal, and 34 percent of other nonbank financial institutions are nonlocal. The greater frequency of nonlocal use of these institutions could be due to the specific products they offer.

The survey sought to gauge the relative importance to the firms of the various financial institutions by type and locality. Each firm that uses two or more financial institutions was asked to identify which single institution it considered to be its primary source of financial products; the institution patronized by each firm that uses only one was defined to be the primary institution for that firm. As table 4 shows, 96.9 percent of firms use a local financial institution as their primary institution; 90.8 percent of firms use a local commercial bank; and 5.9 percent use a local thrift institution. These data reinforce the conclusion that, if a firm concentrates its purchases of financial services at its primary institution,

7. By the alternative definition of *local* given in note 5—location of a branch in the metropolitan area or county of the firm's main office—the percentage of nonlocal financial institutions used was generally somewhat larger because many institutions used were located just outside the boundary of a firm's metropolitan area or county.

8. These firms use 2.663 financial institutions, 2.149 of which are local (1.561 local commercial banks and 0.588 local nonbank institutions). Hence, 80.7 percent are local institutions, and 58.6 percent are local commercial banks.

3. Mean number of local and nonlocal financial institutions used per small and medium-sized firm, by number of institutions used[1]

Number of financial institutions used	Local		Nonlocal		Total	MEMO Percentage of all firms
	Commercial bank	Nonbank	Commercial bank	Nonbank		
1	.920	.063	.012	.004	1	50.1
1 or more	1.212	.314	.094	.160	1.780	98.2
2 or more	1.561	.588	.183	.328	2.663	48.1

1. Components may not sum to totals because of rounding. See notes to table 1 for definitions.

local commercial banks are the dominant suppliers of financial products to small businesses.

Financial Services

The average number of financial services used per type of financial institution provides further evidence on the relative importance of the various institutions to businesses and indicates where businesses may be bundling, or clustering, their purchases of financial services (table 5). Firms typically obtain several services from their primary institutions, which, as just shown, are usually local commercial banks. On average, firms obtain 2.37 services from their primary institutions and 2.14 services from all local commercial banks. Firms obtain somewhat fewer financial services from their primary institution when the provider is a thrift institution (2.06) than when it is a commercial bank (2.40).

In contrast, nonlocal institutions and all nonbank financial institutions other than thrifts tend to be used for single services—on average, between 1.04 and 1.26 services (table 5). However, only 35.5 percent of firms use a nonbank financial institution, and only 19.7 percent use a nonlocal financial institution of any type (table 1). These data also suggest that service clustering occurs at local commercial banks and at primary financial institutions (table 5, memo).

4. Percentage of small and medium-sized firms designating selected types of local and nonlocal financial institutions as their primary institution, by type of institution[1]

Financial institution	Local	Nonlocal	Total
All	96.9	3.1	100
Commercial bank	90.8	2.0	92.7
Thrift	5.9	*	6.3
Other	*	.6	.9

1. For firms using more than one financial institution, the respondent chose which institution is the primary institution; otherwise, the institution used by the firm is the primary institution. See notes to table 1 for definitions.
* Less than 0.05 percent.

In sum, local commercial banks are the dominant suppliers of virtually every financial service considered. Almost all small and medium-sized businesses use a local commercial bank regardless of the number of nonbank or nonlocal institutions they use. A local commercial bank is typically the firm's primary financial institution, which the firm uses for more than one financial service. A significant number of firms use nonbank or nonlocal suppliers for a few services, but not frequently and usually only for a single service.

Distribution of Suppliers for Selected Financial Services

The first part of the analysis of the survey indicated that the manner in which small and medium-sized firms use nonlocal and nonbank financial institutions may differ from the way they use local commercial banks. Here we investigate this issue further by comparing the services firms purchase from nonbank and nonlocal institutions to the services they purchase from commercial banks and local institutions. In essence, this analysis helps to answer the second of the five questions posed earlier: To what extent do financial institutions other than commercial banks provide financial services to small and medium-sized businesses, and is the geographic distribution of these suppliers the same as that for banks? It also provides evidence on the way in which the products of nonbank financial institutions differ from those of commercial banks.

5. Mean number of services used by small and medium-sized firms per financial institution, by type and selected characteristics of institution[1]

Type of financial institution	All	Local	Nonlocal	Primary	Nonprimary
All	**1.86**	**1.95**	**1.25**	**2.37**	**1.26**
Commercial bank	2.09	2.14	1.55	2.40	1.42
Thrift	1.59	1.62	1.26	2.06	1.28
Leasing	1.04	1.02	1.05	*	1.04
Finance	1.04	1.03	1.05	*	1.03
Other	1.16	1.20	1.09	*	1.15
MEMO					
When services include checking	2.29	2.30	2.05	2.40	1.78
When services exclude checking	1.08	1.10	1.07	1.36	1.08

1. Number of services range from one to thirteen. Each of the following services counts as a single service: leasing, line of credit, mortgage, motor vehicle loan, equipment loan, transactions, cash management, credit-related, brokerage, and trust. See notes to tables 1 and 4 for definitions.
* Too few observations to provide a reliable estimate.

Table 6 shows the percentage of firms using various financial services and the percentage of firms obtaining these services from financial institutions grouped by location, primary/nonprimary status, and class. The service used by the greatest proportion of firms (97 percent) is checking. In contrast, only one-fourth of firms have savings (other deposit or investment) accounts. Credit is also an important service, used by 59.0 percent of firms; lines of credit and motor vehicle loans, the most frequently used forms of credit, are each used by one-fourth of the firms. Nearly 60 percent of firms use some other financial product; by far the greatest incidence of use in this category (47.3 percent of firms) is in transaction services, defined as currency and coin services, credit card processing, and night depository services.

Use by Type of Supplier

The dominant role of local suppliers for most financial services is remarkable, particularly for those services hypothesized to have high transaction costs: Local financial institutions supply 95.7 percent of firms with checking services, 54 percent with credit, and 46.6 percent with transaction services.

Nonlocal institutions are used by only 19.7 percent of all small and medium-sized firms (table 1). However, for the minority of firms that use specific services, such as leasing, nonlocal

6. Percentage of small and medium-sized firms that use various financial services, by service and selected characteristics of financial institutions[1]

Service	Any financial institution	Local	Nonlocal	Primary	Nonprimary	Commercial bank	Nonbank	Nonfinancial source
Checking	97.0	95.7	4.0	96.9	12.5	92.0	7.8	0
Savings	25.0	23.5	2.5	19.3	9.4	20.4	6.8	0
Credit	59.0	54.0	14.3	43.8	32.3	47.9	24.5	15.9
Leasing	7.4	4.6	3.5	1.6	6.0	2.3	5.6	2.6
Line of credit	24.1	22.8	1.7	22.0	4.0	22.2	2.6	.5
Mortgage	15.0	13.8	1.8	10.4	5.5	11.8	3.6	4.1
Motor vehicle loan	25.1	20.2	6.4	10.2	16.8	15.3	11.6	1.3
Equipment loan	12.4	10.6	2.3	7.8	5.5	9.3	3.8	2.8
Other loan	8.9	8.1	1.1	6.3	3.1	7.1	2.1	6.5
Other[2]	59.3	57.8	4.2	55.3	13.2	55.7	8.1	2.6
Transactions	47.3	46.6	2.4	45.4	6.9	45.2	3.6	1.8
Cash management	15.0	14.3	.8	13.5	2.4	14.0	1.1	.1
Credit-related	7.4	6.7	.8	6.3	1.6	6.6	1.0	.3
Brokerage	3.3	2.7	.6	.6	2.8	.4	2.9	.2
Trust	3.8	3.5	.3	2.2	1.7	3.1	.8	.2

1. See notes to tables 1 and 4 for definitions.
2. Transactions services include currency and coin, credit card processing, and night depository; cash management services include cash management, lockbox, and wire transfer; credit-related services include bankers acceptances, sales finance, letter of credit, and factoring; trust services include pensions, trusts, and safekeeping.

institutions become more important. For example, 7.4 percent of all firms use leases, and 3.5 percent of all firms obtain leases from nonlocal institutions (table 6, columns 1 and 3). Thus, 47.3 percent of the firms that use leases obtain them from nonlocal suppliers (3.5 divided by 7.4; see table 7, column 2). In fact, leasing, motor vehicle loans, equipment loans, and brokerage services are the services for which users rely most heavily on nonlocal institutions.

Nonbank financial institutions are important for some services, particularly credit. About one-fourth of the firms obtain credit from these institutions (table 6). This importance can be seen more clearly in table 7: 75.7 percent of the firms using leases, 46.2 percent of firms using motor vehicle loans, and 30.6 percent of firms using equipment loans obtain these services from nonbanks. In contrast, nonbank institutions are not frequent sources for checking accounts, transaction services, and cash management services. Only 8 percent or fewer firms using these financial products obtain them from nonbank institutions, whereas about 95 percent of users obtain them from commercial banks.

Nonfinancial sources are not important to most small and medium-sized businesses. No more than 6.5 percent of firms obtain any one specific service from a nonfinancial institution (table 6). The services most frequently obtained from such sources (mainly owners, other individuals, and other business firms) are financial leases, mortgages, equipment loans, and other credit.

Geographic Dispersion of Service Use

Data on the geographic dispersion of the financial institutions supplying firms with various services can provide further insights into how large geographic markets might be. The survey results reveal the preferences that small and medium-sized businesses have for local suppliers. Indirectly, the survey data suggest the relative importance of transaction costs for different financial services.

Firms use local suppliers to a remarkable extent (table 8). For all but one service, leasing, at least 75 percent of the financial institutions are within thirty miles of the firms that use them, and the median distance between the institutions and the firms is less than eight miles for twelve of the thirteen product categories in table 8.

The institutions in which firms have checking accounts have the smallest geographic distribution: 50 percent of the institutions used for checking are within one mile of the firms using them, and 90 percent of the institutions so used are within twelve miles of the firms. The suppliers of transaction and cash management services have similar spatial distributions.

7. Percentage of small and medium-sized business users of various financial services that obtain such services from financial institutions with selected characteristics[1]

Service	Local	Nonlocal	Primary	Nonprimary	Commercial bank	Nonbank
Checking	98.4	4.1	99.9	12.9	94.8	8.0
Savings	94.0	10.0	77.2	37.6	81.6	27.2
Credit	91.5	24.2	74.2	54.7	81.2	41.5
Leasing	62.2	47.3	21.6	81.1	31.1	75.7
Line of credit	94.6	7.1	91.3	16.6	92.1	10.8
Mortgage	92.0	12.0	69.3	36.7	78.7	24.0
Motor vehicle loan	80.5	25.5	40.6	66.9	61.0	46.2
Equipment loan	85.5	18.5	62.9	44.4	75.0	30.6
Other loan	91.0	12.4	70.8	34.8	79.8	23.6
Other	97.5	7.1	93.3	22.3	93.9	13.7
Transactions	98.5	5.1	96.0	14.6	95.6	7.6
Cash management	95.3	5.3	90.0	15.0	93.3	7.3
Credit-related	90.5	10.8	85.1	21.6	89.2	13.5
Brokerage	81.8	18.2	5.2	84.8	12.1	87.9
Trust	98.5	5.1	96.0	14.0	95.6	7.6

1. Values can be obtained by dividing the value for each type of institution in table 6 by the corresponding value in column 1 of table 6. For example, the first value in this table, 98.4, can be obtained by dividing 95.7 (table 6, row 1, column 2), by 97.0 (table 6, row 1, column 1). See notes to tables 1, 4, and 6 for definitions.

8. Miles between small and medium-sized firms and their financial institutions, by financial service used and selected percentiles of institutions

Service	Percentile of institutions			Memo: Percentage of firms using service
	50th	75th	90th	
Checking	1	4	12	97.0
Savings	1	7	24	25.0
Leasing	21	260	1,200	7.4
Line of credit	2	9	44	24.1
Mortgage	3	11	65	15.0
Motor vehicle loan	7	29	128	25.1
Equipment loan	5	25	275	12.4
Other loan	3	15	80	8.9
Other[1]	1	5	21	59.3
Transactions	1	5	15	47.3
Cash management	1	5	16	15.0
Credit-related	4	12	43	7.4
Brokerage	5	29	80	3.3
Trust	2	6	25	3.8

1. See table 6, note 2, for definitions.

Financial institutions used for savings accounts and for the category of "other" services are also located quite close to the firm: 90 percent or more are located within twenty-four miles of the firm. Suppliers of motor vehicle loans, equipment loans, and leases are relatively more distant than those of other services. As mentioned in the section on nonbank suppliers, however, most suppliers are local. Although these statistics do not define markets, they suggest how large geographic markets might be. They also suggest that the markets for different services may have different geographic dimensions.

In sum, local commercial banks are the dominant suppliers of virtually every financial product considered. Almost all of the small businesses surveyed used a local commercial bank, most often for checking, regardless of the number of nonbank or nonlocal institutions used. The variations in nonlocal and nonbank suppliers for different types of products and the geographic distribution of suppliers for specific services do not appear to support the hypothesis that businesses purchase all of their financial services at a single financial institution. However, businesses using nonbank and nonlocal financial institutions generally did so to obtain a few specific products, namely leases, motor vehicle loans, and equipment loans.

The Role of Urbanization and Firm Size

We now consider why firms choose particular financial service suppliers by examining the level of urbanization of a firm's locale and the size of the firm. Urban and rural areas may differ in the range of alternatives generally available locally because of differences in economic integration, market size, and market structure.[9] And the financial behavior of larger firms may differ from that of smaller firms because of differences in transaction costs associated with financial sophistication, the use of financial products, and the need for financial products. After the discussion of these factors, we consider other characteristics of the firm and of the local market in assessing why firms may choose nonlocal suppliers in particular.

Urbanization

The overall number of financial institutions used by urban firms (those whose principal office is in a metropolitan statistical area as defined by the Census Bureau) is on average larger, by a statistically significant amount, than the number used by rural firms (table 9). Urban firms also use more local banks and local nonbanks than do rural firms, but the latter use more nonlocal banks and nonbanks than do urban firms. Although most of these differences are statistically significant, none is large.

Rural firms use more nonlocal financial institutions than do urban firms perhaps because the demand in rural areas for some services may be too small for institutions to offer them. Rural firms are thereby forced to obtain such services from nonlocal suppliers, whereas urban firms can obtain them locally. Perhaps another factor contributing to this difference is that the structure of the banking market in rural areas is

9. For example, see Federal Reserve Bank of Chicago, U.S. Department of Agriculture, and Farm Foundation, *Rural Financial Markets: Research Issues for the 1980s* (Federal Reserve Bank of Chicago, 1982); and Ron Shaffer and Glen Pulver, "Rural Nonfarm Businesses' Access to Debt and Equity Capital" (paper presented at the Southern Regional Science Association Meetings, Washington, D.C., March 22–24, 1990).

9. Use of selected types of financial institutions and services, by urbanization of firm location[1]

Financial institution or service[2]	Percentage of firms using institution or service		Mean number of institutions or services used	
	Urban firms	Rural firms	Urban firms	Rural firms
All institutions	98.2	98.0	1.81*	1.69*
Commercial bank	94.1	93.4	1.31	1.29
Local	92.9	92.1	1.22*	1.18*
Nonlocal	7.6	9.2	.09	.11
Local	97.1	96.9	1.57*	1.38*
Nonlocal	18.3	22.9	.24*	.30*
Nonbank	26.7	30.2	.50*	.40*
All services	98.2	98.0	3.26*	3.46*
Checking	97.1	96.7	1.57	1.38
Savings	25.3	24.3	.31	.29
Leasing	7.8	6.2	.10	.08
Line of credit	24.6	22.1	.27	.25
Mortgage	12.4	24.5	.14*	.27*
Motor vehicle loan	25.8	22.7	.31*	.26*
Equipment loan	11.9	14.1	.14	.16
Other loan	8.2	11.5	.09*	.13*
Other	57.6	65.1	.70*	.78*

1. A firm is urban if its principal office is in a metropolitan statistical area. In the sample of 3,405 firms, 1,873 are urban and 1,532 are rural.

Selected characteristics of the sampled firms have the following mean values:

	Urban	Rural
Number of employees	11.68*	9.58*
Market Herfindahl index	.09*	.24*
Market CR3	.42*	.70*
Number of firm's locations	1.56	1.32
Number of firm's local locations	1.19	1.16
Sales (millions of dollars)	1.36*	.93*

The market Herfindahl index measures the degree of deposit concentration, with higher numbers representing greater concentration; the market CR3 is the percentage of deposits held by the top three institutions in the market; and the number of firm's local locations is the number that is thirty miles or less from the principal office of the firm.

2. See notes to table 1 for definitions.

* Difference significant at the 95 percent confidence level.

significantly more concentrated than that in urban areas. As shown in the notes to table 9, the average Herfindahl index of the local concentration of banks and thrift institutions is 0.24 for rural firms and 0.09 for urban firms. If prices of financial services were higher in more concentrated banking areas, buyers in those areas would purchase fewer services locally and more services nonlocally than would firms in less concentrated areas. Thus, simply comparing urban and rural firms cannot resolve this question; we shall address it again, with a multivariate model, after discussing the role of firm size in the firm's choice of institutions.

Firm Size

The size of a firm can usually be expected to correlate with the firm's overall demand for financial services and the complexity of financial services it requires. When we divide our sample of firms into two employment-size categories—small (0–49 employees) and medium-sized (50–499 employees)—we find that the average number of financial institutions and services used is significantly greater for medium-sized firms than for small firms in all but one of seventeen comparisons (table 10). Overall, medium-sized firms use nearly twice as many financial institutions on average as do small firms (3.1 versus 1.73). The size-related differences (both in terms of percentage of the size class using the institution or service and the average number used) are greatest for nonlocal institutions and for leasing and lines of credit. One characteristic that does not differ much between small and medium-sized firms is bank market structure, measured either by a Herfindahl index or a concentration ratio (table 10, note 1), although the observed difference is statistically significant.

The findings that the use of distant institutions and complex services increases with firm size suggest that transaction costs relative to the value of financial services purchased by the firm are important in explaining differences between the use of local and the use of nonlocal financial institutions.

Factors Influencing the Choice of Nonlocal Suppliers

In preceding sections, we examined firms' use of financial institutions and services by type and distance of institution, by service, and by location and size of the firm. We next identify those characteristics of firms and of the geographic areas in which they are located that indicate the use of nonlocal institutions. We present two types of evidence on these questions. The first is a univariate analysis of small and medium-sized firms that use only local financial institutions and of those that use at least one nonlocal institution. We test the hypothesis that the means of several business and geographic characteristics for the

10. Use of selected types of financial institutions and services, by size of firm[1]

Financial institution or service[2]	Percentage of firms using institution or service		Mean number of institutions or services used	
	Small firms	Medium-sized firms	Small firms	Medium-sized firms
All institutions	98.1	100.0	1.73*	3.10*
Commercial bank	93.7	99.8	1.27*	2.20*
Local	92.6	96.9	1.19*	1.71*
Nonlocal	7.4	29.3	.08*	.50*
Local	97.0	98.6	1.50*	2.24*
Nonlocal	18.3	44.8	.23*	.86*
Nonbank	34.6	50.0	.46*	.90*
All services	98.1	100.0	3.20*	6.47*
Checking	96.9	99.8	1.12*	1.71*
Savings	24.3	42.8	.29*	.70*
Leasing	6.8	22.9	.09*	.36*
Line of credit	22.7	58.5	.25*	.69*
Mortgage	14.4	30.6	.16*	.38*
Motor vehicle loan	25.1	26.7	.29*	.44*
Equipment loan	11.8	25.9	.13*	.34*
Other loan	8.8	12.0	.10	.13
Other	58.3	83.0	.70*	1.32*

1. Small firms are those with 0 to 49 employees, and medium-sized firms are those with 50 to 499. In the sample of 3,405 firms, 2,899 are small and 506 are medium-sized; see table A.1, note 3.

Selected characteristics of the sampled firms have the following mean values (see table 9, note 1):

	Small	Medium-sized
Number of employees	6.96*	116.56*
Market Herfindahl index	.12*	.11*
Market CR3	.48*	.45*
Number of firm's locations	1.38*	4.82*
Number of firm's local locations	1.14*	2.19*
Sales (millions of dollars)	.76*	13.70*

2. See notes to table 1 for definitions.

* Difference significant at the 95 percent confidence level.

two classes of firms are equal. The second type of evidence, derived from a multivariate model based on the theoretical results discussed above, is an estimate of the effect of each of the variables in the univariate analysis on the probability that a small or medium-sized firm will use one or more nonlocal financial institutions.

Univariate Analysis

The univariate comparisons find the following significant differences (table 11): Compared with firms using only local financial institutions, firms using nonlocal institutions tend to have more employees and greater sales and to use more institutions and more financial services (and thus presumably have more complex financial operations and demands). A greater proportion of firms using nonlocal institutions are corporations. Such firms also tend to have relatively greater proportions of sales derived from exports, have more nonlocal branches or offices, have smaller cash sales, use trade credit more frequently, and are more frequently denied credit. Statistically significant differences also arise in terms of industry classification. Firms using nonlocal institutions tend to be slightly more widely represented in manufacturing and real estate and less well represented among retailing and service industries.

Local supply conditions also reveal statistically significant differences between the two classes of firms (table 11). Firms using nonlocal institutions are more frequently located in rural areas; in areas with significantly smaller deposits in banks and thrift institutions (a proxy for market size); and in areas with a slightly higher concentration index and Herfindahl index, which suggests less local competition among banks and thrift institutions.

Multivariate Analysis

The univariate analysis highlights characteristics that are significant in distinguishing firms likely to use a nonlocal financial institution. A multivariate analysis is required to show the relative importance of the characteristics and to assess the effect of one variable when all others are held constant. Such an analysis is crucial if variables associated with hypotheses about the size of economic markets are to be distinguished from variables associated with hypotheses about unique firm characteristics.

The analysis, reported in detail in the authors' Staff Study 160, shows that firms that are relatively large, have multiple locations, have been denied credit, have obtained trade credit, and are located in rural counties or in areas with higher concentrations of banks and thrift institutions have a significantly greater probability of obtaining financial products from one or more nonlocal suppliers. Firms having relatively large cash sales, however, are more apt to use only local financial institutions.

Of particular importance for bank market definition is the finding concerning the Herfindahl

11. Population characteristics of small and medium-sized firms, by locality of financial institutions they use[1]

Mean, except as noted

Characteristics of firm	Uses only local institutions	Uses local and nonlocal institutions
Number of financial institutions and services used		
Institutions	1.53*	2.98*
Services	2.97*	5.07*
Number of employees		
1987	9.25*	20.16*
1986	8.76*	18.62*
Sales		
Total (millions of dollars)		
1987	.99	2.45
1986	.96	2.22
Indicators (percent of sales)		
Exports	1.54	2.02
Cash sales	19.31*	13.26*
Age		
Year acquired	1975	1973
Year established	1968	1964
Years from acquisition to 1989	14.1	13.8
Organizational form (percent of firms)		
Partnership	8.6	7.0
Sole proprietorship	41.3*	30.5*
Corporation	50.1*	62.5*
Industry, by Standard Industrial Classification (percent of firms)		
Construction (1000≤SIC<2000)	13.8	12.0
Primary manufacturing (2000≤SIC<3000)	3.9*	5.8*
Manufacturing (3000≤SIC<4000)	5.0	4.8
Transportation (4000≤SIC<5000)	2.7*	4.3*
Wholesale (5000≤SIC<5200)	9.8	12.0
Retail (5200≤SIC<6000)	24.3	21.4
Insurance agents and real estate (6400≤SIC<7000)	6.4*	8.9*
Services (7000≤SIC<8000)	18.9*	14.9*
Other (8000≤SIC<9000)	13.2	12.9
Office locations		
Has nonlocal offices (percent of firms)[2]	6.8*	14.9*
Number of all offices	1.46	1.79
Number of local offices	1.16*	1.30*
Firm's geographic area[3]		
Percent of firms in rural areas	20.7*	25.7*
Deposits in area (billions of dollars)	29.05	25.60
Market Herfindahl index	.12*	.13*
Market CR3	.47*	.50*
Other (percent of firms)		
Managed by owner	90.8	88.6
Has been denied credit	3.5*	7.4*
Has used trade credit	75.1*	82.9*

1. See notes to tables 1 and 9 for definitions.

2. A firm's nonlocal office is located more than thirty miles from the firm's principal office.

3. Metropolitan statistical (urban) area or non-MSA (rural) county in which principal office of the firm is located.

* Difference significant at the 95 percent confidence level.

index of local market structure. The estimated effect of the Herfindahl index on the probability of using nonlocal institutions suggests that, for many businesses, banking markets are locally limited. However, all firms in the sample may not be equally limited. The significant effect of firm size indicates that medium-sized businesses may not be as constrained as the small firms in the sample: Their transaction costs for financial services may be a smaller relative cost than it is for small firms. Perhaps other complexities associated with size make medium-sized firms more likely to use products, such as leases, for which nonlocal suppliers are more important. The next section analyzes why business firms choose different types of financial institutions for different types of services.

REASONS FOR CHOOSING PARTICULAR TYPES OF FINANCIAL INSTITUTIONS

The NSSBF asked business owners "What were the factors that influenced the firm's decision to obtain this set of services from this institution?" The question was asked for the primary financial institution and up to five additional institutions used by the firm.

Reasons by Type of Institution

The answers to the survey questions cover a broad range of factors, including proximity, ease of conducting business (convenience other than proximity), prices, services offered, and a variety of professional and personal relationships. About one-fourth of the reasons given for the choice of particular local and primary institutions are proximity and ease of conducting business, which are closely associated with transaction costs. The second largest category of reasons for the choice of these institutions is personal relationships.

The most frequently cited reason for choosing nonlocal, nonbank, and nonprimary financial institutions is seller relationships (such as those in which a motor vehicle dealer helps a customer to obtain financing from a particular financial institution or captive finance company). The second most important factor—nearly one-fifth of the reasons for choosing nonlocal institutions—is price. In contrast, price is considerably less important for choosing local and primary institutions. This finding suggests that pricing may induce firms to use nonlocal institutions for some products and may be consistent with the hypothesis that financial service markets are local. As discussed earlier, firms in concentrated markets have a greater incentive to purchase products in more competitive nonlocal markets.

In sum, systematic differences appear in the reasons cited for the choice of various types of financial institutions. Lower transaction costs is the reason behind the choice of particular local and primary institutions, whereas seller relationships and prices are more often the basis for choosing particular nonlocal and nonbank institutions. Another reason for using nonlocal suppliers may be the lack of availability of certain services in some areas. We consider this possibility in the next section, which covers specific financial services and the reasons for choosing the particular institutions offering them.

Reasons by Type of Service

Proximity and ease of conducting business are important reasons for the choice of almost every service used by the firms. Prices (including interest) are most important for leases, mortgages, and vehicle loans, a finding consistent with the importance of transaction costs to small and medium-sized businesses. Leases, vehicle loans, and equipment loans are also the services that, when purchased, are most frequently obtained from nonlocal and nonbank suppliers (tables 6 and 7); the products for which seller relationships and other referrals are most important; and, as table 8 shows, the financial services with the widest geographic distribution of suppliers.

The reasons associated with the use of institutions and services suggest that certain products tend to be purchased at local institutions for reasons associated with transaction costs. Checking, savings, other services, and, to a lesser extent, lines of credit and other loans are in this category. For these services and for local financial institutions, price is apparently not as important a consideration as it is for motor vehicle loans and leases, which tend to be purchased over a relatively wide area on the basis of seller recommendations or price. Hence, the data suggest that a pronounced local preference exists for some services, but that other services may not be part of local banking markets.

Survey data on the behavior of firms in shopping for financial services and on the efforts of financial institutions to solicit sales show that local commercial banks clearly are the type of institution that firms consider most in shopping for financial services and that is dominant in seeking business from local and nonlocal firms. The data on shopping and solicitation, which include potential as well as current suppliers, do not change the conclusions concerning market definition that were reached on the basis of patterns of demand.

CONCLUSION

Local commercial banks are still the main suppliers for most of the financial services used by small and medium-sized businesses. Local commercial banks, and sometimes local thrifts, supply an array of financial services centered on checking and transactions services. Nonbank institutions, whether local or not, rarely supply such an array. These findings support the current approach to market definition in the antitrust analysis of proposed bank mergers and proposed acquisitions by bank holding companies. However, the findings also suggest that economic markets for certain services, especially leases and motor vehicle loans, include nonlocal and nonbank financial institutions and hence justify a broader market definition for these services. This broader market definition would apply to acquisitions by bank holding companies of certain prospective nonbank subsidiaries.

APPENDIX

The National Survey of Small Business Finances is a survey of small and medium-sized business firms in the United States, conducted in 1988–89 for the Board of Governors of the Federal Re-

A.1. Population and sample characteristics of the National Survey of Small Business Finances[1]

Class	Percent of population (weighted)[2]	Number of businesses in sample (unweighted)
Number of employees[3]		
0–4	58.8	1,733
5–9	18.9	556
10–24	13.6	395
25–49	4.8	215
50–99	2.3	283
100–499	1.6	223
Years under current owner		
5 or fewer	24.1	749
6–10	23.6	783
11–20	30.6	1,060
More than 20	21.7	813
Annual sales (1988 dollars)		
Less than 50,000	16.3	501
50,000–100,000	13.9	420
100,001–250,000	24.0	707
250,001–1,000,000	28.1	845
1,000,001–2,500,000	9.9	346
2,500,001–5,000,000	3.8	222
5,000,001–10,000,000	2.3	154
More than 10,000,000	1.8	210
Organizational form		
Sole proprietorship	39.9	1,255
Partnership	8.3	274
Corporation	51.8	1,876

Class	Percent of population (weighted)[2]	Number of businesses in sample (unweighted)
Type of industry, by Standard Industrial Classification		
Construction (1000≤SIC<2000)	13.4	473
Primary manufacturing (2000≤SIC<3000)	4.2	213
Manufacturing (3000≤SIC<4000)	5.0	195
Transportation (4000≤SIC<5000)	3.0	117
Wholesale (5000≤SIC<5200)	10.2	344
Retail (5200≤SIC<6000)	25.6	929
Insurance agents and real estate (6400≤SIC<7000)	6.9	195
Services (7000≤SIC<8000)	18.7	578
Other (8000≤SIC<9000)	13.1	361
Characteristics of business location		
Herfindahl index[4]		
Less than 1,000	51.3	1,281
1,001–1,800	32.2	1,127
1,801–2,500	9.0	516
More than 2,500	7.4	481
Urban[5]	78.3	1,873
Rural	21.2	1,532

1. Survey conducted in 1988–89 among for-profit, nonagricultural, nonfinancial small and medium-sized businesses (with fewer than 500 employees); total number of respondents was 3,405.

2. All statistics unless otherwise noted are weighted to adjust for unequal rates of sampling and response so that results represent the population of small and medium-sized firms. Components may not sum to 100 because of rounding.

3. Full-time equivalents; the end-point of each size class has been rounded down to the nearest whole number.

4. Herfindahl index is based on the aggregate deposit level of all banks, savings and loan associations, and savings banks in the metropolitan statistical area or rural county in which the principal office of the business firm is located.

5. Principal office of the business firm is located in a metropolitan statistical area.

serve System and the Small Business Administration.[10] The survey drew its sample from the population of all for-profit, nonagricultural, nonfinancial enterprises listed in Dun's Market Identifier file. The sample consisted of those firms that were in operation with fewer than 500 employees at the end of December 1987. The number of such firms in the Dun's file was 5,188,490; the number sampled was 5,547; the number eligible was 5,190; and the number of respondents used for this analysis was 3,405, for a response rate of those eligible of 66 percent.[11]

The sample design was that of a stratified random sample with oversampling to ensure the ability to estimate separately the reporting domains defined by census region, urban/rural status, and class of employment size. Table A.1 displays the characteristics of the sample.[12]

10. For detailed information on the methodology and content of the National Survey of Small Business Finances, see Brenda G. Cox, Gregory E. Elliehausen, and John D. Wolken, *The National Survey of Small Business Finances: Final Methodology Report*, RTI Report 4131–00F (Research Triangle Park, N.C.: Research Triangle Institute, September 1989).

11. The Small Business Administration estimates that the 5,188,490 firms in the Dun's Market Identifier file at the end of 1987 accounted for about 93 percent of private employment in the United States at that time. See U.S. Small Business Administration, *The State of Small Business: A Report of the President* (Government Printing Office, 1988); and U.S. Small Business Administration, *Handbook of Small Business Data 1988* (GPO, 1988) for a discussion of population coverage of the Dun's file; and Brenda G. Cox, Gregory E. Elliehausen, and John D. Wolken, "The National Survey of Small Business Finances: Description and Preliminary Evaluation," Finance and Economics Discussion Series 93 (Board of Governors of the Federal Reserve System, November 1989).

12. All statistics presented in the tables and used in the analysis were obtained from the survey except the variables describing the number and size distribution of banks and thrift institutions in specific geographic areas, which were obtained from the Summary of Deposits reports of the Federal Deposit Insurance Corporation.

Unless otherwise indicated, the results in this table and other tables in the article were weighted to adjust for disproportionate rates of sampling and response and to permit inferences about the population of small and medium-sized business firms.[13]

The survey collected the following types of information from each business:

- An inventory of the business's deposit and savings accounts, financial leases, credit lines, mortgages, motor vehicle loans, equipment loans, other loans, and selected other financial products for each financial service supplier used by that business
- The business's reasons for choosing each of its financial institutions, the location of the office of the financial institution it uses for noncredit services, the most frequent method of conducting noncredit business with the financial institution (in person, telephone, mail), the location of the financial institution office it uses to apply for credit, the method of applying for credit, and the number of years the firm has done business with the institution
- Experience in the past year in searching for financial products, changes in its choices of financial institutions, and solicitations it has received in the past year from financial institutions
- Data from each firm's income statement and balance sheet, demographic information on the owners and their employees, and other characteristics of the firm such as the industry to which it belongs and its age.

Each business selected for the survey received a worksheet in advance to encourage the use of written records in responding to the subsequent computer-assisted telephone interviews, which were conducted by Research Triangle Institute. Interviews lasted an average of fifty minutes.

13. The firms analyzed include all those surveyed that completed the entire questionnaire and were part of the main sample (see Cox, Elliehausen, and Wolken, *The National Survey of Small Business Finances: Final Methodology Report*).

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report, covering the period May through July 1990, provides information on Treasury and System foreign exchange operations. It was presented by Sam Y. Cross, Manager of Foreign Operations of the System Open Market Account and Executive Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York. Paul DiLeo was primarily responsible for preparation of the report.[1]

The dollar generally declined during the May–July reporting period. At first the easier tone for the dollar largely reflected improving sentiment toward other currencies, especially the mark and the yen. But by late June, the focus began to shift to the dollar, and sentiment toward the dollar deteriorated in the midst of talk of a worsening U.S. fiscal deficit, a weakening domestic economy, and possible declines in U.S. interest rates in an environment of rising worldwide demand for capital. By the close of the period, the dollar had declined more than 8 percent against the yen and 5½ percent against the mark, approaching the previous postwar low against the latter currency. Against sterling, the dollar declined 12 percent. On a trade-weighted basis, as measured by the staff of the Federal Reserve Board of Governors, the dollar declined about 6 percent.

During the period, no operations aimed at influencing the level of the dollar were carried out. Over the course of the reporting period, the Trading Desk at the Federal Reserve Bank of New York sold a total of $1 billion equivalent of marks in the market on behalf of the Exchange Stabilization Fund (ESF). The sales were part of a U.S. Treasury operation to adjust balances and facilitate the retiring of a portion of the amounts held by the Federal Reserve under the ESF's warehousing arrangements with the Federal Reserve.

MAY THROUGH MID-JUNE

The dollar was trading narrowly around DM1.68 and ¥159 as the period opened. The dollar benefited from the release of reports late in the previous period and early in May suggesting that U.S. economic growth and price pressures were strong enough that any move in monetary policy would be toward greater restraint. That perception of U.S. economic prospects was temporarily challenged early in May after a weaker than expected U.S. employment report for April released May 4, growing concerns about the U.S. budget deficit, and nervousness about the impact of the savings and loan crisis on the economic outlook. The April retail sales and producer price data released on May 11 raised further questions about the strength of the economy, and the dollar moved down to DM1.6260 and ¥152.62. These factors were offset later in the month by comments from several Federal Reserve officials reaffirming their view that the principal challenge facing the economy was the persistence of inflationary pressures.

Much of the market's attention during the weeks of May and early June, however, focused on other currencies. A major area of interest was how the mark would be affected by German economic and monetary union. Ever since the West German government had first announced in February its commitment to rapid economic and monetary union, there had been great interest in the terms of the forthcoming currency conversion. Market participants had been wary of the possibility that, in an effort to stabilize the East

1. The charts for the report are available on request from Publications Services, Board of Governors of the Federal Reserve System, mail stop 138, Washington, D.C. 20551.

German economy, the authorities might set a conversion rate for the East German "ost-mark" so favorable to the East Germans as to generate an explosive increase in deutsche mark monetary aggregates and spending power. The actual terms of the conversion, announced in early May, alleviated these concerns. Accordingly, early in the period, with most market participants convinced that union would boost an already strong German economy and impart to monetary policy a further bias toward restraint for the period ahead, the mark found renewed support in the exchange markets.

Nevertheless, some market participants remained leery of Germany's ability to accommodate union without serious negative repercussions for financial markets, price pressures, or the political landscape. As a result, sentiment toward the mark tended to fluctuate for most of May and June, alternating between more and less sanguine views of the likely short-term repercussions. Among the issues attracting market attention were the mix of tax and debt financing that the West German government would use to help finance structural adjustment in East Germany, the possibility of a backlash against the incumbent political parties by West German voters alarmed by the potential costs of union, and recurrent reports of conflicts between the Bundesbank and the government over the mechanisms of monetary union.

The yen, on the other hand, consistently strengthened during much of May. Analysts were articulating a more balanced assessment of Japanese economic policy and political stability than had been heard for several months. Political, financial, and economic concerns that had weighed on that currency earlier in the year subsided. Public opinion polls indicated that Prime Minster Kaifu had succeeded in clearly establishing his own leadership and in translating his personal popularity into renewed support for the ruling Liberal Democratic Party. The May 6 Group of Seven (G-7) meeting was seen in the market as demonstrating more cohesion among the governments with respect to Japanese concerns. The volatility displayed by Japanese financial markets earlier in the year had dampened—in fact, the Nikkei Dow-Jones index had recovered steadily since early April—and concerns that Japanese financial market conditions would have a major negative impact on economic performance gave way to renewed expectations that interest rates might tend to firm. In this context, reports circulated that Japanese investors were reconsidering their expectations of persistent yen weakness and the hedging strategies for dollar investments associated with those expectations. Amid these conditions, the dollar declined through the ¥150 level on May 25 before recovering somewhat.

Thus, the dollar moved up on balance against the mark from its early May low and was trading around DM1.68 by the middle of June, showing at times a tendency to firm. Against the yen, in contrast, it had declined more than 3 percent since early May to trade around ¥154 by mid-June.

Meanwhile, several high-yielding currencies showed strength, as they would from time to time through the end of the period. The Canadian dollar, although weighed down during May and June by concerns over political uncertainty relating to the constitutional status of Quebec, demonstrated considerable underlying buoyancy as differentials over U.S. interest rates increased from already high levels. Even though the Quebec question was left unresolved when a June 23 deadline for unanimous provincial approval of the so-called Meech Lake Accord passed without the necessary action, the Canadian dollar rebounded quickly. The currency then traded near ten-year highs for most of July.

Sterling also benefited during this period as relatively high yields coincided with an increasing sense on the part of market participants that the United Kingdom would soon join the Exchange Rate Mechanism (ERM) of the European Monetary System. Attention to the possibility of early ERM entry was sparked by a press report on June 12 that the government was contemplating entry as early as the fall. Sterling promptly strengthened, rising above $1.70, and subsequently reached a nineteen-month high of $1.8650 on July 31.

Finally, the higher-yielding ERM currencies also strengthened as market participants perceived that there was little risk of an ERM realignment in the foreseeable future. In particular, the Italian lira remained at the top of the

1. Federal Reserve reciprocal currency arrangements
Millions of dollars

Institution	Amount of facility July 31, 1990
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
Deutsche Bundesbank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	700
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements	
Dollars against Swiss francs	600
Dollars against other authorized European currencies	1,250
Total	30,100

narrow band throughout the period and the Spanish peseta moved to the top of its wider band. All other currencies tended to bunch together at the bottom of the bands against the lira and the peseta, and several currencies reached their bilateral limits at times.

LATE JUNE AND JULY

A succession of statements by Federal Reserve officials during June had strengthened the view that the central bank remained sensitive to the need to resist inflation and that the economic signs did not warrant a change in policy direction. At the same time, market participants adopted a moderately cautious attitude toward the yen as the final round of the Structural Impediments Initiative (SII) negotiations approached with what appeared to be major areas of disagreement outstanding. There was also some caution toward the mark as the July 1 effective date of economic and monetary union neared. By June 25 the dollar was trading around DM1.67 and ¥155.

Toward the end of June, market participants began to reassess the outlook for the U.S. economy and monetary policy. After President Bush's statement acknowledging that tax revenue increases could be a part of a deficit reduction package, market participants began to expect that agreement with the Congress on such a package might lead to a decline in U.S. interest rates at a time when German and Japanese rates appeared likely to remain steady or, looking further ahead, even rise. The initial reaction of the foreign exchange market was muted as attention was focused on political and economic developments elsewhere.

In the weeks that followed, the dollar softened as developments in Germany and Japan were seen as favorable for their currencies. In Germany, initial reports following German economic and monetary union and the currency conversion were reassuring. Indications were that the feared surge in consumption was not materializing. Although some monetary tightening was still expected eventually, there appeared to be no immediate large increase in demand pressures, as East Germans took a cautious view of their prospects in light of the economic restructuring and uncertainties that lay ahead. Nevertheless, the mark, which had moved down in the ERM since early in the year, declined further to trade near its bilateral parity limit with the Italian lira and Spanish peseta. With regard to the yen, the conclusion of the SII negotiations was seen as a positive development. Fears that the negotia-

2. Drawings and repayments by foreign central banks under reciprocal currency arrangements with the Federal Reserve System[1]
Millions of dollars; drawings or repayments (−)

Central Bank	Amount of facility	Outstanding as of April 30, 1990	May	June	July	Outstanding as of July 31, 1990
Bank of Mexico[2]	700.0	541.8	−28.4	−117.0	−396.5	0

1. Data are on a value-date basis. Components in table 3 may not add to totals because of rounding.

2. Represents the FOMC portion of a $1,300 million short-term credit facility established on March 23, 1990.

tions would result in agreements that would undermine support for the Kaifu government were largely erased when the highly visible issue of increased public works spending by the Japanese government was satisfactorily resolved. By July 9 the dollar had drifted down more than 1 percent against the mark and almost 3 percent against the yen from its level in late June to close at DM1.65 and ¥151.

On July 10, at the time of the Houston Summit, several comments by U.S. officials served to revive market participants' expectations of an early easing in U.S. monetary policy. The dollar began to trade with a softer tone. The dollar firmed somewhat the next day when the final summit communiqué was released and did not contain any references to new initiatives on exchange rates, which some had expected. Then, on July 12, Chairman Greenspan told the Senate Banking Committee that the Federal Reserve might ease monetary policy to offset a firming in credit market conditions suggested by a tightening of terms on credit from banks and sluggish growth in M2. The market had not expected that statement, and the dollar promptly declined, closing the day at ¥147.45 and DM1.6355.

During the remaining two weeks of the period, the dollar declined by a modest amount as interest rate and financial market developments further reduced the attractiveness of dollar investments. In particular, market participants noted the decline in the U.S. stock market on July 23, which was associated with disappointing earnings by several firms. New signs of weakening U.S. economic growth, particularly the second-quarter GNP data released July 27, were seen in contrast with continued strong growth in several other countries. These factors suggested that interest rate differentials would move further against the dollar. Despite occasional upward movements associated with increased tensions in the Middle East, the dollar closed the period at DM1.5868 and ¥145.85, within a few basis points of its lows for the period reached earlier that day.

The U.S. monetary authorities did not intervene in the exchange market during the reporting period to influence exchange rates. From late May through mid-July, the Trading Desk acquired dollars against sales of marks on behalf of the ESF as part of an operation to adjust ESF

Warehousing Operations

During the three-month period, the Exchange Stabilization Fund (ESF) of the Treasury both unwound and renewed warehousing transactions with the Federal Reserve. Warehousing operations have been carried out from time to time since 1963. In carrying out such an operation, the Federal Reserve buys the foreign currency in a spot purchase from the Treasury and simultaneously sells it back to the Treasury at the same exchange rate for a future maturity date. A key aspect of this arrangement is that the Federal Reserve and the Treasury agree to use the same exchange rate to initiate and reverse the transaction; consequently, neither party incurs any foreign exchange rate risk as a result of the transaction itself. The ESF may realize a profit or loss at the time the warehousing transaction is undertaken or renewed, and it remains exposed to valuation gains or losses on the foreign currencies being warehoused (table 4). A warehousing transaction is reversed when the Treasury repays dollars and the Federal Reserve repays the foreign currency it has acquired from the Treasury.

3. Drawings and repayments by foreign central banks under special swap arrangements with the U.S. Treasury[1]
Millions of dollars; drawings or repayments (−)

Central bank drawing on the U.S. Treasury	Amount of facility	Outstanding as of April 30, 1990	May	June	July	Outstanding as of July 31, 1990
Central Bank of Costa Rica[2]	27.5	...	27.5 −27.5	...	...	...
Bank of Mexico[3]	600.0	464.4	−24.3	−100.2	−339.9	0
Bank of Guyana[4]	31.8	...	...	31.8	−18.3	13.4
National Bank of Hungary[5]	20.0	...	...	11.1	8.9	20.0
Central Bank of Honduras[6]	82.3	...	...	82.3	−25.0	57.3

1. Data are on a value-date basis. The ESF's facility with the National Bank of Poland, inactive since February 9, expired on May 31, 1990. Components may not add to totals in table 2 because of rounding.
2. Represents intraday facility with the ESF established May 18, 1990.
3. Represents the ESF portion of a $1,300 million short-term credit facility established on March 23, 1990.
4. Represents the ESF portion of a $178 million short-term credit facility established on June 18, 1990.
5. Represents the ESF portion of a $280 million short-term credit facility established on June 18, 1990.
6. Represents the ESF portion of a $147.3 million short-term credit facility established on June 28, 1990.

balances and facilitate reversal of a portion of the outstanding warehousing of foreign currency with the Federal Reserve. During this time, a total of $2,000 million was acquired, of which $1,000 million was acquired in the market and $1,000 million in a direct transaction with another central bank. The market transactions were conducted as conditions permitted without significantly influencing prevailing exchange rates.

The ESF exchanged the dollars acquired through these transactions for foreign currencies it had warehoused with the Federal Reserve, leaving at the close of the period an amount of $7,000 million equivalent of foreign currency still warehoused with the Federal Reserve. The Treasury realized profits of $329.7 million from the sale of German marks, as well as profits of $459.0 million from renewals of warehousing transactions that also occurred during the period.

In other operations during the period, the Treasury agreed with the International Monetary Fund (IMF) to exchange SDRs for dollars with foreign monetary authorities that needed SDRs for payment of IMF charges and for repurchases. Through the end of July, a total of $120.9 million equivalent of SDRs was exchanged. The Treasury, through the ESF, also participated in multilateral credit facilities to provide near-term economic support to Guyana, Honduras, and Hungary, and provided assistance to Costa Rica through an intraday facility. Mexico repaid in full the remainder of its commitments to the U.S. authorities.

Guyana. On June 18, the ESF, along with the Bank for International Settlements (representing certain member central banks) and the Kreditanstalt für Wiederaufbau of West Germany, agreed to establish a multilateral financing facility for Guyana to help clear arrears with the IMF and with other international financial institutions and to facilitate the introduction of an economic adjustment program supported by the IMF and the World Bank. The ESF's share of the $178 million facility was $31.8 million. Guyana drew the entire amount of the facility on June 20 and repaid $18.3 million to the ESF on July 31.

4. Net profits or losses (−) on U.S. Treasury and Federal Reserve current foreign exchange operations[1]
Millions of dollars

Period and item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
May 1, 1990–July 31 1990		
Realized	0	788.7
Valuation profits and losses on outstanding assets and liabilities as of July 31, 1990	3,547.5	1,519.5

1. Data are on a value-date basis.

Honduras. On June 28, the ESF, together with certain Latin American central banks, established a financing facility for Honduras totaling $147.3 million to facilitate implementation of an IMF-supported economic adjustment program. Honduras drew the full amount on the same day. The ESF participation in the facility was $82.3 million. On July 5, Honduras repaid $25.0 million to the ESF.

Hungary. On June 18, the ESF and the Bank for International Settlements (acting for certain member central banks) agreed to provide a multilateral facility for Hungary. Hungary received the full proceeds of the $280 million facility through three drawings made on June 21, July 16, and July 30. The ESF provided $20 million under the facility.

Costa Rica. The ESF agreed to provide Costa Rica a $27.5 million intraday facility to facilitate the implementation of its debt restructuring agreement. On May 21, Costa Rica drew the entire amount of the facility and repaid on the same day, thereby liquidating the facility.

Mexico. At the beginning of the period, Mexico's outstanding commitments on a short-term credit facility to the Federal Reserve and Treasury stood at $541.8 million and $464.4 million respectively. Partial repayments were made on May 23, June 1, and July 11, and a final payment on July 31.

As of the end of July, cumulative bookkeeping or valuation gains on outstanding foreign currency balances were $3,547.5 million for the Federal Reserve and $1,519.5 million for the ESF (the latter figure includes valuation gains on warehoused funds). These valuation gains represent the increase in dollar value of outstanding currency assets valued at end-of-period exchange rates, compared with rates prevailing at the time the foreign currencies were acquired.

The Federal Reserve and the ESF regularly invest their foreign currency balances in a variety of instruments that yield market-related rates of return and that have a high degree of quality and liquidity. A portion of the balances is invested in securities issued by foreign governments. As of the end of July, holdings of such securities by the Federal Reserve amounted to $7,239.2 million equivalent, and holdings by the Treasury amounted to the equivalent of $7,391.7 million valued at end-of-period exchange rates.

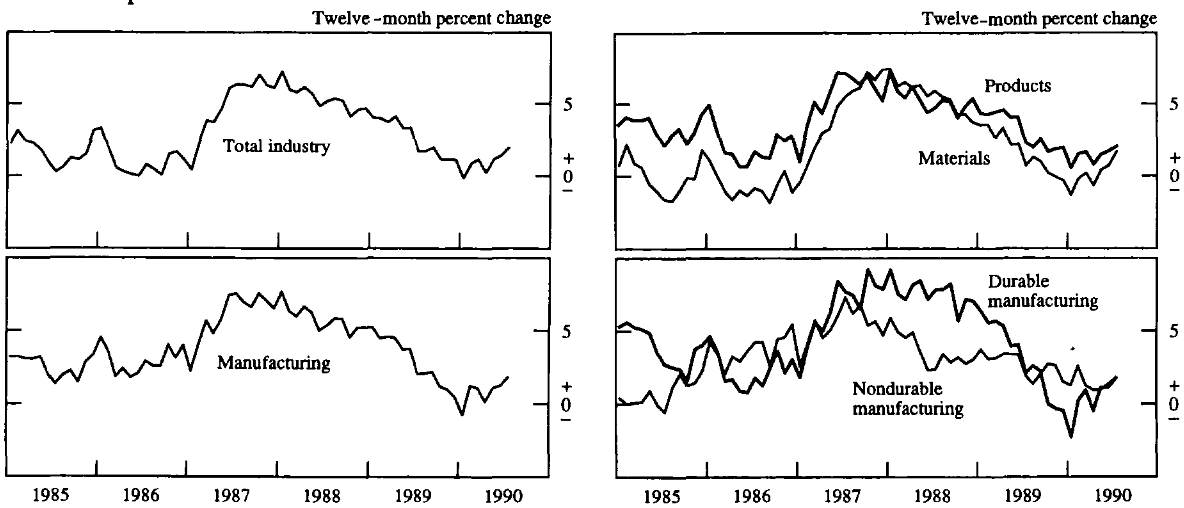
Industrial Production and Capacity Utilization

Released for publication on August 15

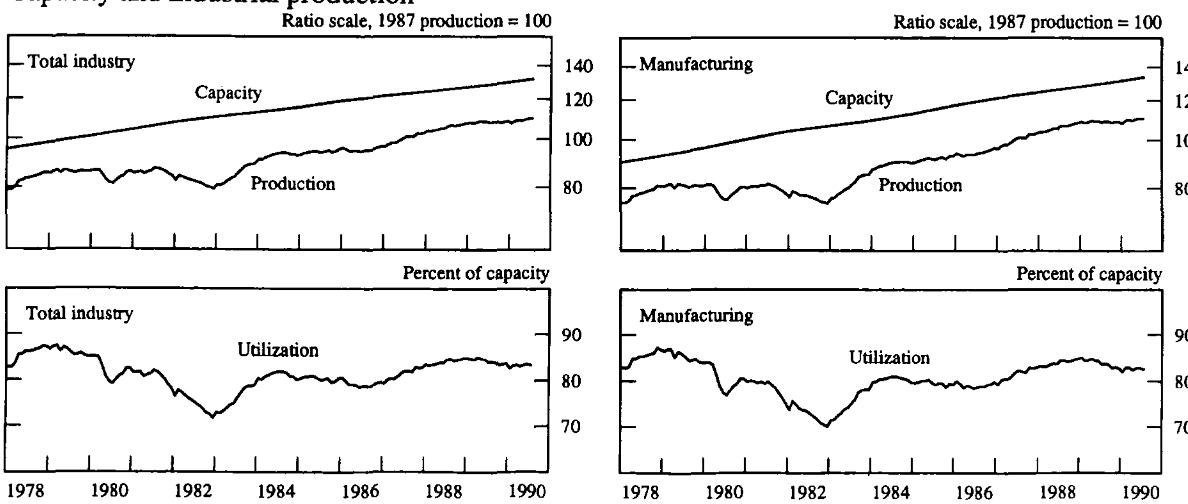
Industrial production was unchanged in July after having increased 0.4 percent in June. Capacity utilization declined 0.2 percentage point in July to 83.4 percent.

Swings in production of motor vehicles during the past few months have had a noticeable effect on total output; in July, production of both autos and trucks fell sharply. Excluding motor vehicles, industrial output rose 0.2 percent last month, about the same rate of growth that has been evident so far this year. Over the twelve months ending in July, total industrial production rose 1.9 percent to 109.9 percent of its 1987 annual average.

Industrial production indexes



Capacity and industrial production



All series are seasonally adjusted. Latest series, July.

Industrial production	1987 = 100				Percentage change from preceding month				Percentage change, July 1989 to July 1990
	1990				1990				
	Apr.r	Mayr	Juner	Julyp	Apr.r	Mayr	Juner	Julyp	
Total index	**108.8**	**109.4**	**109.9**	**109.9**	**−.1**	**.6**	**.4**	**.0**	**1.9**
Previous estimates	108.7	109.3	109.8	...	−.2	.6	.4	...	...
Major market groups									
Products, total	**110.4**	**111.2**	**111.8**	**111.2**	**−.3**	**.7**	**.5**	**−.5**	**2.4**
Consumer goods	107.2	107.4	108.1	107.7	−.3	.2	.7	−.4	2.4
Business equipment	121.6	123.6	123.9	123.1	−.5	1.6	.2	−.6	2.7
Construction supplies	106.4	105.5	105.5	104.3	−.9	−.8	.0	−1.1	−2.1
Materials	107.3	107.8	108.4	109.1	.2	.5	.5	.7	1.6
Major industry groups									
Manufacturing	109.5	110.3	110.6	110.6	−.3	.7	.3	−.1	1.8
Durable	111.1	112.6	113.0	112.6	−.7	1.3	.4	−.4	1.8
Nondurable	107.5	107.4	107.6	108.0	.3	−.1	.2	.3	1.8
Mining	102.9	102.6	102.6	103.7	1.8	−.3	.0	1.0	3.6
Utilities	106.7	107.0	109.1	108.6	.4	.3	1.9	−.4	1.9

Capacity utilization	Percent of capacity								Capacity growth, July 1989 to July 1990
	Average, 1967–89	Low, 1982	High, 1988–89	1989	1990				
				July	Apr.	May	June	Julyp	
Total industry	**82.2**	**71.8**	**85.0**	**83.9**	**83.1**	**83.4**	**83.6**	**83.4**	**2.6**
Manufacturing	81.5	70.0	85.1	83.6	82.5	82.8	82.9	82.6	3.1
Advanced processing	81.1	71.4	83.6	82.2	81.5	82.0	81.9	81.4	3.4
Primary processing	82.3	66.8	89.0	87.2	85.0	84.9	85.2	85.5	2.4
Mining	87.3	80.6	87.2	85.6	89.2	89.0	89.1	90.2	−1.6
Utilities	86.8	76.2	92.3	85.0	84.5	84.7	86.2	85.7	1.0

r Revised.
p Preliminary.

NOTE. Indexes are seasonally adjusted.

In market groups, reductions in output of products in July were offset by increases in materials production. Output of durable consumer goods fell in July, reflecting cutbacks in motor vehicles and appliances. Production of nondurable consumer goods rose 0.3 percent, with some pickup in clothing. Even with its July rise, clothing output has declined more than 5 percent during the past year. Output of business equipment, excluding motor vehicles for business use, was unchanged in July as information processing equipment fell but industrial equipment rose. Production of construction supplies continued its recent weakness, falling more than 1 percent in July.

Output of materials posted another sizable advance in July; the increases in June and July were led by sharp gains in basic metals, particularly steel. In addition, production of other materials, such as textiles, paper, chemicals, and parts for equipment and consumer durables, has also strengthened over the past few months.

In industry groups, output in manufacturing edged down 0.1 percent in July, bringing the factory utilization rate down 0.3 percentage point to 82.6 percent. Besides motor vehicles, output also fell significantly in stone, clay, and glass products, reflecting the weakness in the construction industry. Production also declined in electrical machinery, with output of appliances especially weak, and in nonelectrical machinery, particularly information processing equipment. The rise in production of materials pushed the operating rate for primary processing industries up 0.3 percentage point to 85.5 percent. Steel production increased during June and July, with the operating rate for iron and steel rising above

85 percent in July for the first time in more than a year.

A surge in mining output in July offset the small declines in manufacturing and utilities production. Much of the increase in mining output reflected a sharp rise in coal mining, bringing the overall operating rate for mining above 90 percent for the first time since March 1982. Output from utilities decreased 0.4 percent in July, with declines in both electric and gas utilities. Even so, the operating rate for electric utilities, 91.7 percent, remained well above its long-run average.

Statements to the Congress

Statement by John P. LaWare, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, August 9, 1990.

I am pleased to be here on behalf of the Federal Reserve Board to discuss real estate lending by commercial banks and its effects on their financial condition. The committee is, I am sure, well aware of the many problems that banks and other depository lenders have had with real estate loans in the past five years or so and is understandably concerned about the prospects of these problems continuing. In my comments I shall provide a brief overview of the trends and developments of real estate lending over this decade and then discuss the evolution of conditions in the real estate markets and the dimensions of the problems they have presented to banks. I will also address some supervisory considerations and the effects that recent actions by banks are having on the availability of bank credit.

COMMERCIAL REAL ESTATE LENDING IN THE 1980S

Real estate markets were generally robust over the decade of the 1980s. Growing demand produced sizable increases in property values and prompted substantial growth in construction of new commercial and residential structures. Commercial banks, thrift institutions, insurance companies, and other major lenders, including foreign institutions, played important roles in this process, providing funds for the construction and sale of new properties and for the transfer of ownership of existing properties at rising values.

For the decade as a whole, real estate loans at all commercial banks almost tripled, reflecting a particularly sharp rise in commercial and construction loans, while total assets of commercial banks grew at a much slower pace. By the end of the decade, real estate loans made up about 23 percent of total bank assets compared with less than 15 percent at the end of 1980. Commercial property and construction loans now account for roughly one-half of the $778 billion of total real estate loans held by commercial banks.

States in which the energy sector was large, particularly Texas, Oklahoma, Colorado, and Louisiana, were in the vanguard of the strong real estate expansion of the early 1980s. These strong economies stimulated sharp increases in construction of commercial and residential properties. Once under way, the construction boom maintained momentum even as the energy sector lost strength. This continued construction was encouraged by the substantial optimism that prevailed in these Sun Belt states arising from their increases in population and general income levels.

The ready availability of credit bolstered this process. Savings and loan associations in the region, seeking to overcome weak capital positions and deficient earnings, aggressively extended credit for many projects. Commercial banks in the region were also active in real estate lending, as they sought to replace revenues previously earned on loans to firms in energy and related sectors. Major banks from other areas of the country and abroad also added to the supply of credit.

Other regions, as well, found real estate lending attractive areas for growth. Responding to the general expansion in economic activity and the favorable tax laws embodied in the Tax Reform Act of 1981, real estate markets gained strength. From year-end 1980 to the end of 1984, commercial real estate lending nationwide grew at a rate roughly twice the pace of total bank assets. By the mid-1980s when Southwest real estate markets were beginning to slow, markets in most other parts of the country were still growing at a brisk pace. Here again, the general economic expansion and the willingness and ability of financial institutions, both domestic and foreign, to finance real estate projects on favorable terms played an important role.

By the end of the decade the pace of expansion had slowed. In the past few years, the supply of real estate has exceeded demand, with consequent effects on vacancy rates, property values, and rental rates. To date, these developments have been most pronounced in the New England region, although weak market conditions exist along much of the East Coast as demonstrated by high and rising office vacancy rates. Market conditions in some midwestern cities have also begun to show a marked loss of strength, and even the western states of California, Oregon, and Washington, long the beneficiaries of strong real estate markets, have begun to report increased office vacancy rates in at least some areas.

These weakening market conditions are reflected in higher real estate losses for banks. During 1989, real estate charge-offs at commercial banks rose 54 percent from the prior year to almost $3 billion and totaled $1 billion in the first quarter of this year alone. The Northeast (excluding the large New York City banks) has replaced the Southwest as the latest area of concern and accounted for almost one-half of the industry's first-quarter real estate losses. Nonperforming real estate loans also continued to mount, increasing 37 percent last year and another 8 percent, to $32 billion, in the first quarter of this year. Nonperforming real estate loans now account for nearly one-half of all nonperforming loans held by U.S. commercial banks.

Reasons for the Robust Real Estate Markets

Given the problems that certain types of real estate loans have caused and the risk they still present, it is fair to ask why banks pursued this strategy and how some of the large real estate loan problems seem to have surfaced so suddenly. While there are no single or simple answers to these questions, several factors played important roles.

Disintermediation. During the 1980s, U.S. commercial banks—especially the larger ones—increasingly lost the business of their larger and stronger commercial borrowers to the commercial paper and securities markets. In the Southwest, as previously noted, this loss was compounded when demands by energy-related firms dropped as oil prices started to come down.

Generally, the proportion of bank loans to commercial and industrial (C&I) borrowers declined over the decade, relative to other bank assets. During the last five years of the 1980s, for example, these loans fell from 20 percent of assets to 17.6 percent, with the New York money center banks much more severely affected. Increased real estate lending offered a way to offset revenue losses in other parts of their loan portfolios and to bolster overall earnings.

Increased Fee Income. Banks were also attracted to real estate loans because of the substantial fee income they could earn on these loans. Fees on real estate loans are typically higher than those on other types of corporate credits, and before accounting standards changed in 1988, many of these fees could be recorded "up-front," providing an immediate boost to earnings. In other cases, the fees provided, besides immediate income, an ongoing source of revenues.

Strong Demand. Demand for residential structures and for additional office, retail, and industrial properties rose rapidly in various areas in the middle part of the decade. Office space in the early 1980s, for example, was far below that needed for the decade. Looking back to the 1970s, developers and many others, including lenders, had the view that inflation would work to make almost all projects profitable. In the face of the relative shortage, developers moved decisively to put in place added structures. Supply soon began to catch up with demand, and during the last half of the decade 40 percent more office space was built than absorbed.

Tax law treatment introduced with the 1981 law and kept in place until the reform of 1986 also contributed to the building boom by subsidizing the cost of real property. Some analysts estimate that before the new law more than half of the return to taxable investors came from tax benefits rather than from higher economic values. Increased demand from abroad for U.S. real estate holdings also supported property values and helped to encourage new construction.

Effect of Strong Lender Competition on Credit Availability and Lending Terms

The perceived need to find new business, the ability to generate real estate loans, and the appeal of larger fee income combined to encourage aggressive real estate lending. These factors, plus generally overly optimistic market assessments, produced favorable borrowing conditions for developers. It also led, in many cases, to more liberal underwriting standards. Some banks failed to assess realistically the economic soundness of specific projects and cash flow projections.

Construction loans that historically had been made on the basis of preleased space and prearranged permanent financing were now made without those features and largely on the basis of past relationships and on the appraised value of the underlying property. Borrower equity in projects was often minimal, and appraisals supporting the loans were sometimes based on revenue projections that did not materialize. With steady or, indeed, robust economic growth and rising real estate prices, lenders felt pressured to match "prevailing" market terms and unduly relied on the projected value of collateral as protection against loss. Some expanded nationwide, extending credit in markets in which they lacked experience.

Many lenders also seem to have focused on the strength of specific projects without giving appropriate consideration of total market conditions. Although the latest projects they were financing may have been successful, many were so only because they drew tenants from existing buildings and related problems elsewhere. Office gluts and generally lower operating costs in the Southwest and other regions of the country have enticed some companies to relocate from high-cost areas, further weakening real estate markets that were already beginning to slow. Such a pattern may help cities like San Antonio and Houston revive, but only increases pressures on higher cost cities like Stamford, which already has the nation's highest metropolitan area office vacancy rate at 30 percent.

The expanded investment powers for thrift institutions may also have changed the *nature*, as well as the level, of competition. Besides simply increasing the supply of credit available for real estate construction, these changes introduced new competitors that at least initially were inexperienced in commercial real estate lending and unable to adequately evaluate the risks. Thrift institutions holding equity interests had different incentives than typical lenders and often focused on the potential gains from their ownership roles and extended credits they might otherwise have denied. As long as market conditions were favorable, these actions influenced market terms.

The result of these developments has been overbuilt real estate markets in which financial institutions have been forced to finance buildings beyond the time they originally envisioned, to accept significant concessions on rents, and to face vacancy rates much higher than planned. In these circumstances, the value of the banks's collateral—often only the real estate itself—has been reevaluated on the basis of existing market conditions and has led to significant write-downs of many loans.

Bank Supervision

As bank supervisors, the Federal Reserve and the other federal and state banking agencies have the responsibility to review the activities of financial institutions and to enforce sound lending and operating procedures. Doing that requires sufficient resources to attract and retain qualified personnel and the institutional will to enforce the standards set. The atmosphere of deregulation in the early 1980s led to budgetary pressures at some agencies and, in some instances, to less supervisory oversight. These effects were most severe regarding the supervision of thrift institutions.

Of course, adequate resources and resolve are not all that we need. Even under ideal conditions, concentrations in certain types of credits will occur because of the process we have. Bank regulatory agencies generally try to minimize their influence on credit allocation decisions and, as a general rule, do not impose limits on the different types of loans banks should make. We do, however, evaluate the policies and activities of individual banks but try to avoid substituting our credit judgments for theirs in lending decisions unless the need to intervene is clear. I would stress that we clearly recognize our role in protecting the federal safety net and minimizing risks that insured deposits present to taxpayers. Balancing those concerns with the objective of avoiding unnecessary interference in bank lending activities is a constant challenge to bank supervisors.

This supervisory approach recognizes that the long-term interests of the economy are best served when lending decisions are made by private institutions, not government agencies. As private institutions, their own capital is first at risk, and they are more familiar with and better able to determine the credit needs of their customers than are bank examiners and other supervisory personnel.

The Federal Reserve has long had the view that a strong supervisory process is built upon a program of frequent on-site examinations that, in turn, is centered on an evaluation of asset quality. Accordingly, a key function of the examiners is to evaluate credits and ensure that banks reflect assets at appropriate values in their financial statements. While we leave credit decisions to banks, the effects of their decisions must be promptly and accurately reflected so that management receives the information it needs to respond prudently.

Recently, there has been specific interest in the procedures that examiners use to evaluate real estate credits. I would say a few words about them. As with any loan, examiners first check to determine if the loan is current; that is, that the borrower has made all required payments. Examiners will then review the credit file, which should include financial statements of the borrower, a description of relevant terms of the loan, and full documentation on any collateral or guarantees that the bank holds to cover its risk. Real estate loans are typically collateralized, at least in part, by the project being financed, and a current appraisal of the value of that property should be included in the file or otherwise available at the bank. The file should also include information supporting the value of any other collateral the borrower has provided.

Examiners will criticize any loan for which documentation is outdated or incomplete or for which the borrower's ability to pay is otherwise uncertain. Real estate appraisals should be based on current market conditions and should demonstrate that the project is economically viable. Even current loans, or portions thereof, are subject to criticism if the current or likely cash flow provided by the project is insufficient to service the loan fully. That may happen, for example, if current payments are being made from an interest reserve created from proceeds of the bank loan and the assumptions on which the loan was made no longer reflect market conditions. Indeed, any appraisals that are not realistic are ordinarily discounted and could lead the examiner to criticize the loan.

While examiners urge adherence to sound banking practices, there are practical limits to the achievement of this objective. Maintaining diversification is a good case in point. To a greater or lesser extent, all financial institutions will be affected by local conditions that may broadly affect their activities. With roughly one-quarter of U.S. bank assets devoted to financing real estate, local conditions will almost certainly affect that part of their business.

Many of the real estate losses that banks have recently experienced have been identified by rigorous supervisory reviews, or of bank management's preparation for one. Some banks have been hit hard by these examinations; others have come through quite well. Most banks, though, are acknowledging that the real estate markets have changed and have reviewed and tightened their lending procedures. The effect is painful now, but it will be beneficial for the long term. It will also reduce the risk they present to the federal safety net.

AVAILABILITY OF BANK CREDIT

Under present conditions, the Federal Reserve has been concerned that creditworthy borrowers continue to have adequate access to bank credit and has monitored credit markets closely. In that connection, the Chairman of the Federal Reserve, along with the Chairman of the Federal Deposit Insurance Corporation and the Comptroller of the Currency, met in May with bank representatives to stress the importance to the economy of continued lending and to clarify that supervisory actions are not intended to prevent new loans.

In subsequent testimony Chairman Greenspan and I both indicated that while lenders had tightened their standards there did not appear to be a broad-based squeeze on credit but noted that the Federal Reserve was monitoring the situation closely. More recently, evidence is building that conditions have become weaker. It is difficult to determine what part of the slowdown derives from higher credit standards versus less loan demand. As the Chairman stated in his testimony of July 18, however, lending standards seem to have tightened too much. The Federal Reserve has recently taken some steps to offset the effect of these tighter lending standards.

SYNDICATIONS

Questions have been raised regarding the use of loan syndications in funding real estate assets. In this regard, it should be noted that banking organizations rarely syndicate real estate loans in the same sense as they do in other types of loans, including highly leveraged transactions. Real estate loans involving more than one lender typically involve participations in which *one* lender originates the loan and sells or assigns parts of it to one or more institutions. In true syndications, *several* institutions originate the loan, and any one of them can then participate out its own interest.

In either form, a lead lender generally has the responsibility to administer the loan and to ensure that the other lenders receive sufficient information to make independent credit decisions—both before the loan is brought and throughout the period that it is outstanding. Indeed, other borrowers have the responsibility to make independent decisions about the creditworthiness of the borrower and should not rely solely on the representations of the seller. Typically, the sales agreements include provisions that require participating lenders to attest to having made such independent reviews.

CONCLUSION

Unfortunately, real estate loans are only one of the significant risks that banks in this country face. Loans to highly leveraged borrowers and to developing countries cannot be ignored. The current slowdown in real estate markets will have a dampening effect on economic activity that will be felt unevenly nationwide.

The problems that financial institutions are experiencing at this time merely illustrate the risks and uncertainties inherent in lending funds. Strong bank management and an active and sound supervisory process will help prevent many problems. Many others, however, will still exist. It is critical that banks have sufficient equity capital to support the risks they take—both to ensure their own survival and to protect the federal safety net. Ensuring adequate bank capital is an important objective of supervision and remains an important priority of the Federal Reserve. □

Statement by Henry Terrell, Senior Economist, Division of International Finance, Board of Governors of the Federal Reserve System, before the Task Force on the International Competitiveness of U.S. Financial Institutions, Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, August 2, 1990.

I appreciate the opportunity to appear before this Task Force on the International Competitiveness of U.S. Financial Institutions to discuss the results of some of the research that my colleagues and I have conducted on the activities of the U.S. agencies and branches of Japanese banks. I want to stress that my statement is as a research economist employed at the Federal Reserve; my conclusions do not represent policy positions that have been endorsed by the Board.

U.S. agencies and branches of Japanese banks had total assets of about $360 billion as of year-end 1989, or about 10 percent of the assets of all banking institutions domiciled in the United States, and somewhat more than one-half of the total assets of $580 billion of all U.S. agencies and branches of foreign banks. Agencies and branches of foreign banks are integral parts of their parent banking organizations with lending limits based on the worldwide capital of their parent. Agencies differ from branches in that their deposit-taking powers are more limited. While my remarks cover only the activities of the agencies and branches of Japanese banks, as of year-end 1989 U.S.-chartered banks that were majority-owned by Japanese banks had an additional $60 billion in total assets. These subsidiary banks differ from the agencies and branches in having lending limits based on their own capital and tend to be more heavily oriented toward retail banking activities.

I will suggest this morning that the growth of the activities of the Japanese agencies and branches in the United States has, in large part, been affected by economic and financial factors in the United States and Japan. Until recently, restrictions on the ability of Japanese banks to offer their domestic Japanese customers market-determined interest rates on deposits appear to have had the effect of inducing Japanese banks in the aggregate to shift some domestically oriented business to their U.S. offices because the low regulated interest rates in Japan caused funding difficulties, and Japanese banks actually relied on their overseas branches for funds for use at their domestic offices. This fact suggests that Japanese banks were not on balance borrowing low-cost funds in Japan and relending them in the United States at low rates.

Table 1, derived from the regular U.S. Call Report for the U.S. agencies and branches of foreign banks, reviews the growth of the major asset categories of the agencies and branches of Japanese banks in the nine-year period from year-end 1980 through year-end 1989.[1] During that nine-year period, the assets of these agencies and branches increased fivefold. Besides rapid growth of their balance sheet assets, in more recent years there has also been a rapid increase in the off-balance-sheet activities of these institutions, as shown by the increase in the amount of their standby letters of credit since 1985. Loans, totaling nearly $160 billion, constitute the largest single asset item, with cash and due from banks, largely reflecting clearings and other interbank transactions, representing another $100 billion.

Examining more detail on the loan portfolio of the U.S. agencies and branches of Japanese banks shows that commercial and industrial loans, largely to borrowers identified as U.S. residents, were $90 billion, with loans to financial institutions of about $30 billion being the second largest loan category, again reflecting the important interbank activities of these institutions. Some of these commercial and industrial loans were originated by U.S. banks and were purchased by the Japanese agencies and branches, including loans for highly leveraged financial restructurings. U.S. banks, of course, earned fees on these transactions. In recent years Japanese agencies and branches have expanded their loans secured by real estate to about $20 billion, but our data sources do not permit a distinction in these loans between loans for U.S. real estate (including loans financing Japanese purchases of U.S. real estate) or loans secured by real estate in other countries including Japan. Loans to foreign governments constitute a small and declining share of total loans. Japanese banks booked many of their loans to developing countries in the early 1980s at their U.S. offices and, like banks from other countries, many of these loans have been sold, written off, or repaid.

For data showing the major funding sources for the U.S. offices of Japanese banks, interbank transactions are reported on a net basis, with a positive number for net liabilities indicating a net source of funds to the agencies and branches and

1. The attachments to this statement are available on request from Publications Services, mail stop 138, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

a negative number representing a net use of funds. This distinction is important to separate funding sources from interbank trading activities that gross up both sides of balance sheets. The reporting of some important categories on a net basis means that the totals will be less than the asset totals, which include interbank activities on a gross basis. The largest single source of funds for the Japanese banks is net borrowing from banking offices in the United States of about $55 billion, with net borrowing from banks outside the United States of about $25 billion being another important source of funds. Deposits from nonbank U.S. and foreign sources amounted to only about $35 billion, equivalent to only about one-fourth of their total loans to nonbank parties.

Data on funding relations between the U.S. agencies and branches of Japanese banks and their related offices outside the United States show that, on balance, as of year-end 1989, U.S. agencies and branches of Japanese banks were receiving about $25 billion net from their related offices outside the United States. However, that $25 billion in funding from related offices was accounted for by nearly $60 billion in net liabilities to related offices outside Japan, largely in offshore centers and in London, and a net claims position of almost $35 billion with their parent bank in Japan. Stated slightly differently, the U.S. agencies and branches of Japanese banks borrowed (net) about $60 billion from their related offices in non-Japanese markets, retained about $25 billion for use in their U.S. business, and onlent the remaining $35 billion to their parent bank in Japan. Since the source of funding to the offshore branches of Japanese banks is largely the Eurodollar market, including the issuance of Eurodollar CDs, these net borrowings by U.S. agencies and branches of Japanese banks from their related offices would appear to represent a market-based source of funding for both their U.S. office lending and their home country activities.

Having briefly described the activities of these institutions, it is useful to try to analyze the factors over time that have motivated Japanese banks to expand their U.S. activities rapidly during this past decade. In our statistical research we used an approach that considered both the "pulls" of opportunities in the domestic U.S. banking market as well as "pushes" from Japanese economic variables. In the former case our research found a statistical correlation between faster economic growth in the United States and faster asset growth of the U.S. offices of Japanese banks.

Our research also found a very strong relationship between Japanese economic variables and the asset growth of U.S. agencies and branches of Japanese banks. The important influence of Japanese economic variables on the activities of the U.S. agencies and branches of Japanese banks was expected because of the heavy concentration of Japanese risk in their asset portfolios. As of year-end 1989, about one-third of the total assets of U.S. agencies and branches of Japanese banks were direct claims on residents of Japan. However, when the country risk of the portfolio is reallocated to the country of the ultimate obligor, rather than to the country of the nominal borrower, the share of Japan risk in the portfolio of the agencies and branches of the Japanese banks increases to about two-thirds. This reallocation of risk occurs primarily in two ways: First, a large proportion of Japanese bank lending in the United States to nonbank borrowers is to U.S. affiliates of Japanese companies; and second, a significant amount of the large interbank activities of Japanese banks in the United States is with other Japanese banks.

In our work two principal domestic Japanese variables were found to be important determinants of the U.S. activities of Japanese banks: (1) the aggregate level of Japanese international trade, measured as the sum of Japanese exports plus Japanese imports, and (2) the degree of restraint on interest rates in the domestic Japanese banking market. The impact of international trade is rather straightforward; a large proportion of all Japanese international trade is financed in U.S. dollars at the U.S. offices of Japanese banks. The degree of restraint on banking in Japan captures the extent to which domestic Japanese restraints on the payment of competitive rates of interest on bank deposits have provided incentives for Japanese banks to shift banking business that might otherwise have been conducted in Japan to offshore (non-Japanese) centers.

The impact of restraints on banks' ability to pay full market interest rates on deposits can be twofold. First, to the extent that banks are able to obtain funds at lower interest rates than otherwise in the regulated market, their overall cost of funding will be reduced, and the banks will enjoy a competitive advantage if they are able to lend these low-cost funds at market-determined rates. Since lending rates in Japan have not been fully market determined, some of the subsidy of low-cost deposits was passed through to local Japanese borrowers and did not accrue to the banks. A second, and offsetting, effect of restraints on interest rates on deposits is that, from the point of view of investors, regulated deposits at banks carry inferior returns relative to unregulated financial instruments offered by other intermediaries, including insurance companies, and pension funds, as well as deposits offshore and other foreign financial investments. To the extent that investors elect to place their funds with other intermediaries offering higher yields, banks will actually suffer a competitive loss of business.

Restraints on interest rates that Japanese banks were permitted to pay appear to have affected their ability to fund their domestic loan portfolio in the Japanese domestic deposit market during a period when investors were being offered increasingly attractive alternatives to domestic bank deposits. At year-end 1982, deposits at Japanese banks' domestic offices exceeded their total loans. During the subsequent five years, through year-end 1987, interest rates that banks in Japan were permitted to offer lagged behind market clearing rates. Correspondingly, growth of deposits at banks in Japan lagged behind the growth of demand for loans at Japanese banks' home offices.

Japanese banks appear to have responded to this excess of loan demand above their ability to acquire deposits at their offices in Japan in two ways. Their first response appears to have been to use their offshore offices, including their offices in the United States, to book some of the loans that otherwise would have been booked at the banks' domestic offices but which the domestic offices were unable to fund because of the restraints on deposit interest rates. Their second response appears to have been to use borrowings from their offshore branches, located in London as well as in other offshore centers, to supplement their domestic deposit sources.

During most of the 1980s there has been a correspondence between the excess of loans over deposits at banking offices in Japan and net borrowings by domestic offices of Japanese banks from their foreign branches. The correspondence is only approximate and not perfect, since other asset items, such as securities, and other sources of funds, such as borrowings in interbank markets or from the Bank of Japan, can balance the difference between bank deposits and loans.

At year-end 1987, the net liabilities of domestic offices of Japanese banks to their foreign branches peaked at slightly more than $130 billion, which was roughly equal to the difference between loans and deposits at the domestic offices of Japanese banks. In the two-year period since year-end 1987 there have been several liberalizations of the restraints on interest rates payable in the domestic Japanese market, which have increased the share of bank deposits with unregulated rates. Moreover, there have also been improvements in the competitiveness of the interbank call money market in Japan in which auction rates are more freely quoted. In this two-year period of liberalization of domestic interest rates, both net borrowings by Japanese banks from their foreign branches and the excess of domestic office loans over deposits have declined.

In summary, during the 1980s, the evidence does not suggest that the growth of Japanese banks in the United States was financed by low-cost deposits raised in their home market. While lower-cost domestic office funding may, to some extent, have aided the profitability of Japanese banks in their domestic business, the impact of the regulated interest rates for banks in Japan in this period appears to have provided incentives to Japanese banks to shift some of their lending and interbank business, including transactions with Japan-based entities, to the United States, because of regulations on interest paid on deposits. The U.S. activities of agencies and branches of Japanese banks are, in fact, largely funded by large net interbank borrowings in the United States and abroad, and by advances from their related offices in London and in other offshore centers, neither of which is a low-cost source of funding.

Having discussed the factors that appear until now to have motivated Japanese banks to expand their U.S. activities, it may be useful to note several potential factors that might influence the future growth of their activities in the United States.

First, the continued deregulation of interest rates in the Japanese domestic banking system should make it more efficient for Japanese banks to conduct a greater proportion of their domestic banking business, including interbank trading, in Japan.

Second, under pressure to meet the capital standards of the Bank for International Settlements, Japanese banks may decide to reorient their business practices away from growth toward higher profitability to attract capital. Some of their U.S. activities reportedly carry relatively low profit margins and could be candidates for restructuring.

Third, recent research suggests that the largest Japanese corporations are increasingly choosing to finance themselves through capital market issues, and, thus, are becoming less reliant on their main banks for funding. This shift in Japanese corporate funding patterns is similar to what has happened in the United States, which resulted in some reduction in bank intermediation and slowed the growth of U.S. banks; it could affect Japanese banks, including growth in lending at their U.S. offices because, in the past, large Japanese companies have been major borrowers from the U.S. offices of Japanese banks.

Fourth, the market for consumer banking in Japan, including credit cards and other types of consumer loans, has been relatively underdeveloped, and some Japanese banks may choose to redirect their growth toward this relatively higher margin activity. □

Announcements

PROPOSED ACTION

The Federal Reserve Board issued for public comment on August 30, 1990, a proposal to revise the Board's Regulation Y to permit bank holding companies to provide financial advisory services to financial and nonfinancial institutions and high net worth individuals and to offer investment advice and securities brokerage activities on a combined basis. Comment is requested by October 22, 1990.

CHANGE IN BOARD STAFF

The Board of Governors announced on September 5, 1990, the appointment of Diane E. Werneke to the official staff as Special Assistant to the Board for Congressional Liaison.

Ms. Werneke came to the Board in August 1987 as Congressional Liaison Assistant. Before that, she was an economist with the House Budget Committee. She has a master's degree in economics from George Washington University.

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON JULY 2–3, 1990

Domestic Policy Directive

The information reviewed at this meeting suggested that economic activity was continuing to expand but at a relatively slow pace. Final demands seemed sluggish; while exports had increased further, consumer expenditures had been flat and notable weakness was evident in new housing and nonresidential structures. Overall increases in business inventories appeared to have been moderate, even though the production of goods had picked up. The unemployment rate had remained in a relatively low range despite limited growth in employment. An unwinding in recent months of the earlier jump in the prices of food and energy had damped the rise in producer and consumer prices, but the latest data on wages suggested continued pressure on costs.

Total nonfarm payroll employment rose moderately in May after a small decline in April. Job gains in services were muted over the two months, following strong increases earlier; factory employment continued to ebb; and construction payrolls, after surging during unseasonably mild winter weather, slipped below their level of last fall. Nonfarm payroll employment had grown relatively slowly on average since February, and hiring by the Census Bureau had accounted for all of the increase. Despite the sluggish expansion of employment in recent months, the civilian unemployment rate was 5.3 percent in May and had remained near that level for more than a year.

Industrial production increased substantially in May, largely reflecting a rebound in the manufacture of motor vehicles, and the April level of activity was revised upward. Production of consumer goods had been relatively sluggish thus far in 1990; however, output of business equipment had firmed as notable gains were recorded in the production of aircraft and information-processing equipment, and the output of other business equipment retraced a decline that had occurred in the second half of last year. Recent data on orders for durable goods appeared to be consistent with a further modest rise in manufacturing activity in coming months. Total industrial capacity utilization edged higher in May to nearly its level at the end of 1989; in manufacturing, operating rates had changed little on balance this year as gains in factory output had about matched the expansion of capacity.

Real personal consumption expenditures in April and May were little changed on balance from their level in the first quarter. Expenditures for non-energy services rose more slowly in May, extending the pattern of smaller increases that had been registered on balance this year. Outlays for motor vehicles declined, and spending for goods other than motor vehicles fell for the third straight month. Housing starts were about unchanged in May after a substantial decline in April. The average level of starts in the April–May period was substantially below the first-quarter pace. This recent drop in starts evidently reflected in part a retracing of the earlier surge in residential construction associated with mild winter weather, but higher mortgage rates and some tightening of credit availability to builders also appeared to exert a constraining effect.

Business capital spending appeared to have slackened in recent months. After a pickup in the first quarter that was paced by strong purchases of office and computing equipment, outlays for nondefense capital goods slowed in April and May, with notable weakness evident in purchases of nonelectrical equipment. Other than for aircraft and computers, new orders for nondefense capital goods had advanced little on balance this year. Following the sizable gain earlier in the year associated with unseasonably mild weather, nonresidential construction activity slowed on average in March and April. Construction of office and other commercial buildings was especially weak in the March–April period, and permits and other indicators of future activity suggested continued softness. At manufacturing and trade establishments, inventories increased somewhat in April after a decline in the first quarter associated with a sharp paring of stocks of automobiles. In the manufacturing and wholesale sectors, inventory-to-shipments ratios were down in April from year-end levels and were around the middle of the ranges prevailing in 1989. Among retailers of goods other than automobiles, recent increases in inventories in conjunction with sluggish consumer spending had led to a reversal of an earlier decline in inventory–sales ratios.

The nominal U.S. merchandise trade deficit narrowed further in April from its reduced average rate for the first quarter. Both imports and exports fell, partly as a result of less trade in automotive products with Canada. The value of oil imports also declined in April as oil prices moved lower and the volume of imports slackened after surging earlier in the year. In April, the value of exports retraced part of its sharp March rise but nonetheless remained at a higher rate than in the first quarter. Measures of economic activity in the major foreign industrial nations indicated some pickup in growth in the first quarter. Expansion was especially strong in Germany and Japan, but preliminary data for these two countries for the early part of the second quarter suggested a return to more moderate growth. Inflation in the foreign industrial countries remained little changed on average recently.

Producer prices of finished goods were unchanged on balance over April and May as energy prices declined and food prices registered no net change. The rate of increase for goods other than food and energy items was held down by manufacturers' discounts for motor vehicles. Partly because of declines in food and energy prices, consumer prices rose more slowly in April and May; however, the average rate of increase thus far this year remained above the 1989 pace. Over the April–May period, prices of nonfood, non-energy goods were little changed while prices of non-energy services rose less rapidly than earlier in the year. Average hourly earnings rose further in May, with large increases recorded in construction and in overtime in manufacturing. The latest data on total employer costs for compensation indicated that labor costs had increased more rapidly in the twelve months ended in March than in the year-earlier period.

At its meeting on May 15, 1990, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include any presumption regarding the likely direction of any intermeeting policy adjustments. In considering the possible need for such adjustments, the Committee agreed that primary weight would continue to be given to developments bearing on the inflation outlook; accordingly, the directive indicated that slightly more or less pressure on reserve positions would be appropriate during the period ahead depending on progress toward price stability, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. Unchanged reserve conditions were expected to be consistent with somewhat slower monetary expansion in the second quarter than had been anticipated at the time of the March meeting, including growth of M2 and M3 at annual rates of about 4 and 3 percent respectively over the period from March through June.

Open market operations in the interval since the May 15 meeting were directed at maintaining unchanged reserve conditions. Adjustment plus seasonal borrowing averaged nearly $600 million over the three complete reserve maintenance periods in the intermeeting interval, well above the level registered in the maintenance period that ended just after the May meeting. Much of the sharp rise in borrowing reflected the continued upswing in seasonal borrowing, for which several technical adjustments were made to assumed levels of borrowing, and a funding need at a large bank experiencing a temporary operational problem over a long holiday weekend. The federal funds rate stayed close to 8¼ percent over the intermeeting period, and other short-term market rates changed little from their mid-

May levels. In long-term debt markets, interest rates declined somewhat on balance as markets responded to evidence of some slowing in the economy and to indications that the chances for substantial reductions in federal budget deficits had improved. These factors also contributed to a decline on balance over the intermeeting interval in the trade-weighted value of the dollar in terms of the other G-10 currencies.

Both M2 and M3 declined in May; available data suggested a partial rebound in June for M2 and little change in M3. The continuing contraction of deposits at thrift institutions that was resulting from the restructuring of the thrift industry was one of the factors damping the growth of M2 and especially of M3. Through June, expansion of M2 was estimated to be in the lower portion of its range for 1990, and growth of M3 somewhat below its range for the year. Growth of total domestic nonfinancial debt appeared to have been at the midpoint of its monitoring range.

The staff projection prepared for this meeting suggested that the economy would expand over the remainder of 1990 at around the rate estimated for the first half of the year and at a slightly faster pace in 1991. Consumer demand was projected to pick up a bit after a weak second quarter, with spending on services expected to continue increasing moderately and outlays for goods to rebound somewhat. Business capital spending was projected to strengthen a little; however, the extent of the bounceback would be constrained by low profit margins associated with relatively slow growth in final demands and reduced levels of capacity utilization along with weakness in nonresidential construction activity arising from the overbuilt condition of many commercial real estate markets around the country and greater caution on the part of lenders. The pace of homebuilding was expected to remain low, damped by slow growth in household incomes and relatively high borrowing costs. Exports of goods and services were projected to increase substantially but to be accompanied by an acceleration of imports. Moderate restraint on expenditures at all levels of government was assumed. Price inflation was expected to ease somewhat further, following the bulge earlier in the year, but little improvement was anticipated in the underlying trend of inflation.

In the Committee's discussion of the economic situation and outlook, the members generally saw sustained but subdued growth in economic activity as a reasonable expectation for the next several quarters. While business conditions were relatively depressed in some sectors of the economy and parts of the country, business activity was better maintained in other areas, and the economy as a whole gave no current indications of slipping into a recession. Many members commented, however, that the risks appeared to be weighted in the direction of a weaker-than-projected economic performance, especially in the context of changing conditions in credit markets stemming from the financial difficulties of many borrowers and lending institutions. With regard to the outlook for inflation, increases in key price measures had moderated since earlier in the year, but there was little evidence of significant change in the trend rate of inflation. Nonetheless, the members generally remained confident that some progress would begin to be made in reducing the underlying rate of inflation during the period ahead, given their expectations of diminished pressures on labor and capital resources. Some also emphasized that the moderate rate of money growth experienced this year, and indeed for an extended period, was indicative of a sustained period of monetary restraint that eventually should produce a lower rate of inflation.

In conformance with the usual practice at meetings when the Committee considers its long-run objectives for growth of the monetary and debt aggregates, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members provided individual projections of growth in real and nominal GNP, the rate of unemployment, and the rate of inflation for 1990 and 1991. These forecasts took account of the Committee's policy of continuing moderate restraint on aggregate demand to constrain inflationary pressures over time. With regard to growth of real GNP, the projections had central tendencies of 1½ to 2 percent for 1990 as a whole and 1¾ to 2½ percent for 1991. Forecasts of nominal GNP converged on growth rates of 5½ to 6½ percent for 1990 and 5¼ to 6½ percent for 1991. With output expanding below potential, the members anticipated that unemployment would edge up to rates centering around 5½ to 5¾ percent in the fourth quarter of 1990 and 5½ to 6 percent in the fourth quarter of 1991. Some easing of pressures on resources would help to damp inflation slightly by 1991. For the consumer price index, the projections had central tendencies of 4½ to 5 percent for 1990 and 3¾ to 4½ percent for 1991.

Turning to the prospects for individual sectors of the economy, members commented that, with the possible exception of exports, none appeared likely to provide appreciable impetus to the expansion over the forecast period. Retail sales were weak in many parts of the country; and there were indications of some decline in consumer confidence that seemed to be associated with concerns about weakening real estate values in many parts of the country, reduced employment opportunities, and persistent reports of financial problems in the economy. In the circumstances, growth in consumer spending was expected to remain relatively sluggish, and while retail sales might well pick up from their recently depressed levels, there was considerable uncertainty regarding the outlook for expenditures for motor vehicles and other consumer durables. Construction activity was being inhibited in many areas by an overhang of excess capacity, notably in commercial real estate but also in housing, and to some extent by the difficulties being experienced by builders in securing financing. Some members expressed concern that building activity might weaken further, and in any event this sector of the economy was believed likely to remain depressed over the forecast horizon. At the same time, the outlook for spending on capital equipment appeared to be somewhat more promising, at least for the near term, judging from the recent pattern of new orders, order backlogs, and reports from industry contacts. In addition, business inventories appeared to be at acceptable levels in most industries and, unlike the experience in earlier business cycles, seemed to be providing an element of stability in a period of adjustments in major industries such as motor vehicles and construction. In the view of many members, the outlook was favorable for further sizable increases in exports that would help to support U.S. production and employment. On balance, however, final demands, including demands from abroad, appeared likely to support only sluggish gains in the goods-producing sectors of the economy, and the service industries were likely to continue to account for much of the anticipated increases in output and employment.

There also was discussion of two special factors that added to the uncertainties bearing on the economic outlook. One related to the unknown timing and extent of a possible reduction in the federal budget deficit that the members hoped would emerge from current discussions between congressional and Administration officials. Another was the uncertain degree to which lenders had cut back on the availability of credit to creditworthy borrowers. The members continued to hear numerous reports that some businesses were finding it more difficult to obtain credit from banks, notably builders in many areas but also other businesses, including auto dealers, in some parts of the country. On the basis of still fragmentary information, reduced credit availability appeared to have had some, but quite limited, effects on the economy. However, a tightening of credit standards could affect credit flows and spending with a lag; and, in addition, there was some concern that the trend to greater restraint in the provision of credit might continue.

With regard to the outlook for prices and wages, the apparent lack of progress in reducing the underlying rate of inflation was a major source of disappointment, but the members continued to anticipate some deceleration in the core rate of inflation during the year ahead. Among the favorable portents were the impact of the softness in house prices on inflation attitudes, the still highly competitive conditions in many markets for goods, the related emphasis on cost-cutting efforts by businesses to compensate for their difficulty or inability to raise prices, and some evidence that wage inflation was no longer worsening. Of particular significance in the view of some members was the relatively restrained monetary growth over the last few years associated with a policy that had been resisting inflation. This policy was likely to damp inflation over time; moreover, as the public's perceptions of the System's anti-inflationary stance became more firmly held, progress in reducing inflation would tend to accelerate. On the unfavorable side, persisting inflation pressures in many service industries and relatively tight labor markets in some areas remained a source of concern. Moreover, as evidenced by recent increases in the prices of motor vehicles despite weak sales, inflation psychology still was a serious problem in at least some segments of the business community.

In keeping with the requirements of the Full Employment and Balanced Growth Act of 1978 (the Humphrey–Hawkins Act), the Committee at this meeting reviewed the ranges for growth in the monetary and debt aggregates that it had established in February for 1990 and decided on tentative ranges for growth of those aggregates in 1991. The current ranges for the period from the fourth quarter of 1989 to the fourth quarter of 1990 included expansion of 3 to 7 percent for M2 and 2½ to 6½ percent for M3. The monitoring range for growth of total domestic nonfinancial debt had been set at 5 to 9 percent.

In its consideration of the ranges for 1990 and 1991, the Committee took account of the much slower-than-anticipated expansion of M2 and M3 in the first half of the year and the possible implications for spending and prices. To a large extent, the weakness in monetary growth was associated with a redirection of credit flows away from depository institutions to market channels, and total borrowing by domestic nonfinancial sectors did not moderate appreciably in the first half of 1990 from the pace of 1989. Much of the slower growth in lending by depository institutions in turn reflected continued shrinkage of the savings and loan industry—to an important extent because of a step-up in government assumption of thrift assets by the Resolution Trust Corporation (RTC) and related transfers of deposits and assets to commercial banks. Expansion of commercial bank credit had remained moderate, reflecting pressures on bank capital positions and bank concerns about the credit quality of borrowers. The members generally anticipated that these special factors would continue to depress the growth of M2 and M3 in the second half of this year and in 1991, though perhaps to a lesser extent next year. These factors were exerting their largest and most direct influence on M3, which includes the bulk of bank and thrift funding sources, but also were affecting M2. Such developments had few if any precedents, and there was substantial uncertainty about their duration and effects on the economy.

Against this background, most of the members were in favor of reaffirming the ranges for M2 and nonfinancial debt for 1990 that the Committee had established at its February meeting, while others indicated a preference for reducing the range for M2. Members who preferred to maintain the current ranges pointed out that the expansion of these aggregates was within their respective ranges in the first half of the year, though toward the lower end of the range in the case of M2. With regard to the latter, it was suggested that the 4-percentage-point width of the current range should be enough to encompass likely and desirable outcomes for the year. Several members also commented that, as a general rule, they preferred not to adjust current ranges at midyear, in part to avoid conveying an impression of unwarranted precision—particularly if the adjustments were relatively small—or of changes being made simply to reflect the actual data. A shortfall from the current ranges should be kept under careful scrutiny to judge whether policy was indeed tighter than intended or desired. If ultimately the Committee elected to tolerate a shortfall from the current ranges, it would accept the useful discipline of explaining the reasons for the deviations in its reports to the Congress. Members also noted that the reasons for the shortfall in M2 were not entirely understood, and in the circumstances a downward adjustment to the range might not be appropriate in terms of furthering the Committee's basic objectives for the economy. Those who favored a lower range for M2 observed that, despite the uncertainties that were involved, enough was known to suggest that velocity had increased for technical reasons and that M2 growth lower than previously contemplated would be consistent with the Committee's objectives. One member also indicated that a lower range would coincide with a continuing preference, first expressed in February, for a range that in this view appeared to be more consistent with the Committee's long-run, anti-inflation strategy.

With regard to the 1990 range for M3, a majority of the members favored some reduction, though there were differences with regard to the precise amount. A lower range was deemed to be warranted by the strong indications that M3 growth would fall below its current range for the year to an important extent because of continuing RTC activity in resolving insolvent thrift institutions. While the Committee had anticipated some slowing in M3 growth and had reduced the M3 range in February, the shortfall in the first half of the year was considerably greater than expected. It represented mostly a restructuring of credit flows rather than an overall reduction in credit availability, though there were signs of some tightening of credit terms. In the circumstances, a lower range would be a technical adjustment and would not be indicative of added restraint in overall credit availability or an intention by the Committee to increase the degree of monetary restraint. A few members expressed reservations about lowering the M3 range, or at least lowering it substantially, in part because a higher range might be needed in later years when special factors were no longer depressing the growth of this aggregate. In this view, to avoid potential misinterpretation of the Committee's policy, the ranges should not be moved up and down to fit special circumstances; instead, they should be reduced steadily but gradually to levels that were consistent with the Committee's long-run objective of sustainable, noninflationary economic growth.

At the conclusion of this discussion, the Committee voted to reaffirm the 1990 ranges that it had established in February for growth of M2 and nonfinancial debt and to lower the 1990 range for M3 by 1½ percentage points to 1 to 5 percent. The Committee approved the following statement for inclusion in its domestic policy directive:

The Committee reaffirmed at this meeting the range it had established in February for M2 growth of 3 to 7 percent, measured from the fourth quarter of 1989 to the fourth quarter of 1990. The Committee also retained the monitoring range of 5 to 9 percent for the year that it had set for growth of total domestic nonfinancial debt. With regard to M3, the Committee recognized that the ongoing restructuring of thrift depository institutions had depressed its growth relative to spending and total credit more than anticipated. Taking account of the unexpectedly strong M3 velocity, the Committee decided to reduce the 1990 range to 1 to 5 percent.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Boehne, Boykin, Hoskins, Kelley, LaWare, Mullins, and Stern. Vote against this action: Ms. Seger. Absent and not voting: Mr. Johnson.

Ms. Seger dissented because she wanted to reaffirm the existing range for M3 as well as those for M2 and nonfinancial debt. In her view, the shortfall in M3 growth reflected not only technical factors, related in large part to the ongoing restructuring of the savings and loan industry, but an undesirable tightening in the availability of credit. In the circumstances, she was concerned that tolerating M3 growth at a rate near the lower end of the 1 to 5 percent range would be associated with credit conditions that presented too great a risk to the current economic expansion.

Turning to the provisional ranges for 1991, a majority of the members argued for some reduction in the ranges for M2 and nonfinancial debt, and most favored a relatively low range for M3. Reductions in the ranges for M2 and debt would serve to implement the Committee's strategy of gradually lowering the ranges to levels that were consistent with its long-run goals. Additionally, a lower range for M2 seemed appropriate in light of the prospect that the velocity of this aggregate, which like that of M3 had risen to an unexpected extent this year, might rise somewhat further in 1991 in conjunction with the ongoing restructuring of thrift institutions. In the view of many members, a reduction in the range for M2 also was desirable because it would underscore the Committee's commitment to an anti-inflationary policy and by potentially enhancing the credibility of that policy possibly increase its effectiveness. Several members indicated that while a small reduction in the M2 range was acceptable, a greater reduction might imply tolerance of slower monetary growth than would be consistent with sustained economic expansion. Moreover, the M2 range already had been reduced substantially over the past several years and was getting close to the level that might be desirable over the long run.

Some members preferred not to change the

1991 range for M2 at this meeting. They did not disagree with the strategy of gradually reducing the Committee's ranges over time, but they felt that current uncertainties warranted approaching any reduction with a special degree of caution. There was a possibility of a major shift in fiscal policy, and ongoing changes in financial flows were affecting the relationship of the monetary aggregates to spending. By next February, the Committee was likely to be in a much better position to judge the implications of these factors for the economy and appropriate money growth as well as to have in clearer focus the usual factors bearing on the outlook for economic activity and the financial system.

With regard to the range for M3, the factors that were tending to depress M3 growth relative to income in 1990 could well persist through 1991. In these circumstances, a majority of the members favored a range that was equal to or lower than the revised range of 1 to 5 percent for 1990. Members who expressed a preference for some further reduction believed that a lower range was more likely to encompass the actual outcome and was consistent with the monetary-policy restraint signaled by the reductions favored by most members in the M2 and debt ranges for 1991. Other members preferred not to adopt a range that would accommodate essentially no growth in M3, even if technical factors suggested a relatively high probability of such an outcome. In this view, such a range would be below the one likely to be warranted for the longer term and would therefore have to be raised at some point, possibly even for 1991 depending on economic, financial, and fiscal policy developments prior to the Committee's review of the ranges early next year.

At the conclusion of this discussion, the Committee approved provisional ranges for 1991 that involved reductions of ½ percentage point for M2 and nonfinancial debt from the 1990 ranges and no further change in the M3 range from the reduced 1990 range. The Committee voted to incorporate the following statement regarding the 1991 ranges in its domestic policy directive:

For 1991, the Committee agreed on provisional ranges for monetary growth, measured from the fourth quarter of 1990 to the fourth quarter of 1991, of 2½ to 6½ percent for M2 and 1 to 5 percent for M3. The Committee tentatively set the associated monitoring range for growth of total domestic nonfinancial debt at 4½ to 8½ percent for 1991. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Boehne, Boykin, Hoskins, Kelley, Mullins, and Stern. Votes against this action: Ms. Seger and Mr. LaWare. Absent and not voting: Mr. Johnson.

Mr. LaWare dissented because he preferred a somewhat lower range for M3 in 1991. He did not view such a range as implying greater monetary restraint next year but as warranted by technical factors, notably the further shrinkage in prospect for the savings and loan industry, that pointed to a further rise in the velocity of M3 and to little or no growth in this aggregate in 1991. Moreover, he believed that a further reduction in the M3 range for next year would be more consistent with the lower ranges tentatively adopted for M2 and nonfinancial debt.

Ms. Seger dissented because she wanted to retain this year's ranges, at least tentatively, for 1991. She was not opposed to gradual reductions in the ranges over time, and she would be prepared to make adjustments in February if intervening developments warranted. However, she continued to believe that the inevitable uncertainties in assessing the economic outlook over an extended period of time argued for not changing the ranges at midyear but waiting until February. Such uncertainties loomed especially large at this time because of the possibility of a major adjustment in fiscal policy and the critical questions that remained concerning the outlook for credit conditions.

In the Committee's discussion of policy implementation for the weeks ahead, all of the members supported a proposal to maintain unchanged conditions in reserve markets at least initially following this meeting, and a majority favored a directive that could accommodate some slight easing of reserve conditions fairly soon unless incoming indicators suggested appreciably stronger monetary growth and greater inflationary pressures than the members currently expected.

The degree of monetary restraint sought by the Committee since late 1989 remained appropriate, but despite a steady policy course, credit conditions appeared to have tightened at least marginally in recent months. The evidence of such tightening, while not conclusive, had become more persuasive and was a source of increasing concern; the marked slowing in monetary growth in the second quarter in particular suggested the possibility of more restraint than the Committee intended. Nonetheless, in the view of nearly all the members, the persistence of inflation argued for caution and against any adjustment that would have the effect of easing the overall thrust of policy unless incoming information on the monetary aggregates and the economy pointed to a significantly weaker outlook for economic activity.

The members who preferred not to bias the Committee's directive toward a slight reduction in the degree of reserve pressure believed that more evidence would be helpful to assess the performance of the economy and the extent of any inadvertent and inappropriate tightening in overall credit conditions. They emphasized that the persistence of inflationary pressures and the related need to maintain the credibility of the System's anti-inflationary policy warranted particular caution against any premature easing or any policy move that might be interpreted as such. However, a number of these members acknowledged that they too were concerned by the very sluggish monetary growth in recent months, at least to the extent that it could not be explained by technical factors and might therefore be signaling a weaker economy or an inappropriately restrictive monetary policy.

According to a staff analysis prepared for this meeting, growth of M2 was likely to resume over the third quarter, but only to a pace that would keep this aggregate near the lower end of the Committee's range for the year, assuming steady money market conditions and an economic performance in line with the members' expectations. The expansion of M3 was projected to remain very sluggish as components of this aggregate continued to respond to thrift industry and related developments that had inhibited their growth.

At the conclusion of the Committee's discussion, all of the members indicated that they favored or could accept a directive that called for maintaining the existing degree of pressure on reserve positions for at least a short period after this meeting. Subsequently, some slight easing of reserve conditions could be implemented unless incoming data on the monetary aggregates and the economy evidenced greater strength; because of the minor firming that appeared to have occurred in general credit conditions, such easing in the availability of reserves would in effect serve to maintain the overall degree of monetary restraint that the Committee had sought to implement since late 1989. In keeping with this approach to policy, the directive provided that slightly greater reserve restraint might be acceptable during the intermeeting period or somewhat lesser restraint would be acceptable depending on progress toward price stability, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated at this meeting were expected to be consistent with growth of M2 and M3 at annual rates of 3 and 1 percent respectively over the three-month period from June to September. The intermeeting range for the federal funds rate, which provides one mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, was left unchanged at 6 to 10 percent.

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

The information reviewed at this meeting suggests that economic activity is continuing to expand but at a relatively slow pace. Total nonfarm payroll employment has increased at a much reduced rate in recent months. Nevertheless, the civilian unemployment rate has remained in a narrow range for an extended period and was 5.3 percent in May. Industrial production increased substantially in May, largely reflecting a rebound in the manufacture of motor vehicles. Consumer spending has been sluggish in recent months; outlays for goods have declined while expenditures for services have increased at a slower pace. Business capital spending appears to have slackened a bit in the spring after a pickup earlier in the year. Residential construction has fallen to a relatively low level in recent months. The nominal U.S. merchandise trade deficit narrowed in April from its average rate in the first quarter. Partly reflecting an unwinding of the earlier jump in prices of food and energy, consumer prices rose at a slower rate in April and May, while producer prices were unchanged over the two months. The latest data on wages suggest no improvement in underlying trends.

Short-term interest rates have changed little on balance since the Committee meeting on May 15, while rates in long-term debt markets have declined somewhat over the intermeeting period. The trade-weighted foreign exchange value of the dollar in terms of the other G-10 currencies was somewhat higher over much of the period but declined late in the period to a level slightly below that prevailing at the time of the May meeting.

M2 and M3 declined in May; available data for June suggest a partial rebound in M2 and little change in M3. Growth of M2 and especially of M3 has been damped by the continuing contraction of deposits of thrift institutions resulting from the restructuring of the thrift industry. Through June, expansion of M2 was estimated to be in the lower portion of its range for 1990 and growth of M3 somewhat below its range for the year. Expansion of total domestic nonfinancial debt appears to have been at the midpoint of its monitoring range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee reaffirmed at this meeting the range it had established in February for M2 growth of 3 to 7 percent, measured from the fourth quarter of 1989 to the fourth quarter of 1990. The Committee also retained the monitoring range of 5 to 9 percent for the year that it had set for growth of total domestic nonfinancial debt. With regard to M3, the Committee recognized that the ongoing restructuring of thrift depository institutions had depressed its growth relative to spending and total credit more than anticipated. Taking account of the unexpectedly strong M3 velocity, the Committee decided to reduce the 1990 range to 1 to 5 percent. For 1991, the Committee agreed on provisional ranges for monetary growth, measured from the fourth quarter of 1990 to the fourth quarter of 1991, of 2½ to 6½ percent for M2 and 1 to 5 percent for M3. The Committee tentatively set the associated monitoring range for growth of total domestic nonfinancial debt at 4½ to 8½ percent for 1991. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. Taking account of progress toward price stability, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, slightly greater reserve restraint might or somewhat lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from June through September at annual rates of about 3 and 1 percent respectively. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 6 to 10 percent.

Votes for the paragraph on short-run policy implementation: Messrs. Greenspan, Corrigan, Angell, Boehne, Boykin, Hoskins, Kelley, LaWare, Mullins, Ms. Seger and Mr. Stern. Votes against this action: None. Absent and not voting: Mr. Johnson.

Legal Developments

FINAL RULE—AMENDMENT TO REGULATIONS H AND Y

The Board of Governors is amending 12 C.F.R. Parts 208 and 225, its Regulations H and Y (Capital Adequacy Guidelines; Minimum Tier 1 Leverage Measure and Transition Capital Standards). On December 29, 1989, the Board proposed for public comment transition capital guidelines to be applied through the end of 1990, as well as guidelines for a new capital to total assets leverage ratio. The Board is now issuing in final form transition capital standards and capital leverage guidelines that are substantially similar to those proposed. The standards the Board is adopting are *minimum* requirements. Any institution experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions, well above the minimum levels. In all cases, banking institutions should hold capital commensurate with the level and nature of all of the risks, including the volume and severity of problem loans, to which they are exposed.

Effective September 10, 1990, pursuant to the Board's authority under section 5(b) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1844(b)), and section 910 of the International Lending Supervision Act of 1983 (12 U.S.C. § 3909), 12 C.F.R. Parts 208 and 225 are amended as follows:

Part 208—Membership of State Banking Institutions in the Federal Reserve System

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

Authority: Sections 9, 11(a), 11(c), 19, 21, 25, and 25(a) of the Federal Reserve Act, as amended (12 U.S.C. 321–338, 248(a), 248(c), 461, 481–486, 601, and 611, respectively); sections 4 and 13(j) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1814 and 1823(j), respectively); section 7(a) of the International Banking Act of 1978 (12 U.S.C. 3105); sections 907–910 of the International Lending Supervision Act of 1983 (12 U.S.C. 3906-3909); sections 2, 12(b), 12(g), 12(i), 15B(c)(5), 17, 17A, and 23 of the Securities Exchange Act of 1934 (15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1, and 78w, respectively); section 5155 of the Revised Statutes (12 U.S.C. 36) as amended by the McFadden Act of 1927; and sections 1101–1122 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (12 U.S.C. 3310 and 3331–3351).

2. Section 208.13 is revised to read as follows:

Section 208.13—Capital adequacy.

The standards and guidelines by which the capital adequacy of state member banks will be evaluated by the Board are set forth in Appendix A to Part 208 for risk-based capital purposes, and, with respect to the ratios relating capital to total assets, in Appendix B to Part 208 and in Appendix B to the Board's Regulation Y, 12 C.F.R. Part 225.

Appendix A—[Amended]

3. Footnote 1 to "I. Overview" of Appendix A to Part 208 is revised to read as follows:

1. Supervisory ratios that relate capital to total assets for state member banks are outlined in Appendix B of this Part and in Appendix B to Part 225 of the Federal Reserve's Regulation Y, 12 C.F.R. Part 225.

4. The last sentence of the first paragraph to "IV. Minimum Supervisory Ratios and Standards" of Appendix A to Part 208 is removed; the existing second paragraph now becomes the third paragraph and remains unchanged; and a new paragraph is added immediately following the first paragraph. The new second paragraph reads as follows:

Institutions with high or inordinate levels of risk are expected to operate well above minimum capital standards. Banks experiencing or anticipating significant growth are also expected to maintain capital, including tangible capital positions, well above the minimum levels. For example, most such institutions generally have operated at capital levels ranging from 100 to 200 basis points above the stated minimums. Higher capital ratios could be required if warranted by the particular circumstances or risk profiles of individual banks. In all cases, banks should hold capital commensurate with the level and nature of all of the risks, including the volume and severity of problem loans, to which they are exposed.

5. A second paragraph is added to "IV. B. Transition Arrangements" of Appendix A to Part 208 to read as follows:

Through year-end 1990, banks have the option of complying with the minimum 7.25 percent year-end 1990 risk-based capital standard, in lieu of the minimum 5.5 percent primary and 6 percent total capital to total assets capital ratios set forth in Appendix B to Part 225 of the Federal Reserve's Regulation Y. In addition, as more fully set forth in Appendix B to this Part, banks are expected to maintain a minimum ratio of Tier 1 capital to total assets during this transition period.

6. Appendix B is added after "Attachment VI.- Summary" to Part 208 to read as set forth below.

Appendix B to Part 208: Capital Adequacy Guidelines for State Member Banks: Tier 1 Leverage Measure

I. Overview

The Board of Governors of the Federal Reserve System has adopted a minimum ratio of Tier 1 capital to total assets to assist in the assessment of the capital adequacy of state member banks.[1] The principal objective of this measure is to place a constraint on the maximum degree to which a state member bank can leverage its equity capital base. It is intended to be used as a supplement to the risk-based capital measure.

The guidelines apply to all state member banks on a consolidated basis and are to be used in the examination and supervisory process as well as in the analysis of applications acted upon by the Federal Reserve. The Board will review the guidelines from time to time and will consider the need for possible adjustments in light of any significant changes in the economy, financial markets, and banking practices.

II. The Tier 1 Leverage Ratio

The Board has established a *minimum* level of Tier 1 capital to total assets of 3 percent. An institution operating at or near these levels is expected to have well-diversified risk, including no undue interest rate risk exposure; excellent asset quality; high liquidity; good earnings; and in general be considered a strong banking organization, rated composite 1 under the CAMEL rating system of banks. Institutions not meeting these characteristics, as well as institutions with supervisory, financial, or operational weaknesses, are expected to operate well above minimum capital standards. Institutions experiencing or anticipating significant growth also are expected to maintain capital ratios, including tangible capital positions, well above the minimum levels. For example, most such banks generally have operated at capital levels ranging from 100 to 200 basis points above the stated minimums. Higher capital ratios could be required if warranted by the particular circumstances or risk profiles of individual banks. Thus, for all but the most highly-rated banks meeting the conditions set forth above, the minimum Tier 1 leverage ratio is to be 3 percent plus an additional cushion of at least 100 to 200 basis points. In all cases, banking institutions should hold capital commensurate with the level and nature of all risks, including the volume and severity of problem loans, to which they are exposed.

A bank's Tier 1 leverage ratio is calculated by dividing its Tier 1 capital (the numerator of the ratio) by its average total consolidated assets (the denominator of the ratio). The ratio will also be calculated using period-end assets whenever necessary, on a case-by-case basis. For the purpose of this leverage ratio, the definition of Tier 1 capital for year-end 1992 as set forth in the risk-based capital guidelines contained in Appendix A of this Part will be used.[2] Average total consolidated assets are defined as the quarterly average total assets (defined net of the allowance for loan and lease losses) reported on the bank's Reports of Condition and Income ("Call Report"), less goodwill and any other intangible assets and investments in subsidiaries that the Federal Reserve determines should be deducted from Tier 1 capital.[3]

Whenever appropriate, including when a bank is undertaking expansion, seeking to engage in new activities or otherwise facing unusual or abnormal risks, the Board will continue to consider the level of an individual bank's tangible Tier 1 leverage ratio (after deducting all intangibles) in making an overall assessment of capital adequacy. This is consistent with the Federal Reserve's risk-based capital guidelines and long-standing Board policy and practice with

1. Supervisory risk-based capital ratios that relate capital to weighted risk assets for state member banks are outlined in Appendix A to this Part.

2. At the end of 1992, Tier 1 capital for state member banks includes common equity, minority interests in equity accounts of consolidated subsidiaries, and qualifying noncumulative perpetual preferred stock, less goodwill. The Federal Reserve may exclude certain other intangibles and investments in subsidiaries as appropriate.

3. Deductions from Tier 1 capital and other adjustments are discussed more fully in section II.B. of Appendix A to this Part.

regard to leverage guidelines. Banks experiencing growth, whether internally or by acquisition, are expected to maintain strong capital positions substantially above minimum supervisory levels, without significant reliance on intangible assets.

Part 225—Bank Holding Companies and Change in Bank Control

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

Authority: 12 U.S.C. 1817(j)(13), 1818, 1831i, 1843(c)(8), 1844(b), 3106, 3108, 3907, 3909, 3310, and 3331–3351.

Appendix A—[Amended]

2. Footnote 1 to "I. Overview" of Appendix A to Part 225 is revised to read as follows:

1. Supervisory ratios that relate capital to total assets for bank holding companies are outlined in Appendices B and D of this Part.

3. The last sentence of the first paragraph to "IV. Minimum Supervisory Ratios and Standards" of Appendix A to Part 225 is removed; the existing second paragraph now becomes the third paragraph and remains unchanged; and a new paragraph is added immediately following the first paragraph. The new second paragraph reads as follows:

Institutions with high or inordinate levels of risk are expected to operate well above minimum capital standards. Banking organizations experiencing or anticipating significant growth are also expected to maintain capital, including tangible capital positions, well above the minimum levels. For example, most such organizations generally have operated at capital levels ranging from 100 to 200 basis points above the stated minimums. Higher capital ratios could be required if warranted by the particular circumstances or risk profiles of individual banking organizations. In all cases, organizations should hold capital commensurate with the level and nature of all of the risks, including the volume and severity of problem loans, to which they are exposed.

4. A second paragraph is added to "IV. B. Transition Arrangements" of Appendix A to Part 225 to read as follows:

Through year-end 1990, banking organizations have the option of complying with the minimum 7.25 percent year-end 1990 risk-based capital standard, in lieu of the minimum 5.5 percent primary and 6 percent total capital to total assets ratios set forth in Appendix B of this Part. In addition, as more fully set forth in Appendix D to this Part, banking organizations are expected to maintain a minimum ratio of Tier 1 capital to total assets during this transition period.

Appendix B—[Amended]

5. Three new sentences are added to the end of the first paragraph of Appendix B to Part 225 to read as follows:

* * * In this regard, the Board has determined that during the transition period through year-end 1990 for implementation of the risk-based capital guidelines contained in Appendix A to this Part and in Appendix A to Part 208, a banking organization may choose to fulfill the requirements of the guidelines relating capital to total assets contained in this Appendix in one of two manners. Until year-end 1990, a banking organization may choose to conform to either the 5.5 percent and 6 percent minimum primary and total capital standards set forth in this Appendix, or the 7.25 percent year-end 1990 minimum risk-based capital standard set forth in Appendix A to this Part and Appendix A to Part 208. Those organizations that choose to conform during this period to the 7.25 percent year-end 1990 risk-based capital standard will be deemed to be in compliance with the capital adequacy guidelines set forth in this Appendix.

6. Appendix D is added to Part 225 to read as set forth below.

Appendix D—Capital Adequacy Guidelines for Bank Holding Companies: Tier 1 Leverage Measure

I. Overview

The Board of Governors of the Federal Reserve System has adopted a minimum ratio of Tier 1 capital to total assets to assist in the assessment of the capital adequacy of bank holding companies ("banking organizations").[4] The principal objective of this measure is to place a constraint on the maximum degree to which a banking organization can leverage its equity capital base. It is intended to be used as a supplement to the risk-based capital measure.

The guidelines apply on a consolidated basis to bank holding companies with consolidated assets of $150

4. Supervisory risk-based capital ratios that relate capital to weighted risk assets for bank holding companies are outlined in Appendix A to this Part.

million or more. For bank holding companies with less than $150 million in consolidated assets, the guidelines will be applied on a bank-only basis unless:

(a) the parent bank holding company is engaged in nonbank activity involving significant leverage;[5] or

(b) the parent company has a significant amount of outstanding debt that is held by the general public.

The Tier 1 leverage guidelines are to be used in the inspection and supervisory process as well as in the analysis of applications acted upon by the Federal Reserve. The Board will review the guidelines from time to time and will consider the need for possible adjustments in light of any significant changes in the economy, financial markets, and banking practices.

II. The Tier 1 Leverage Ratio

The Board has established a *minimum* level of Tier 1 capital to total assets of 3 percent. A banking organization operating at or near these levels is expected to have well-diversified risk, including no undue interest rate risk exposure; excellent asset quality; high liquidity; good earnings; and in general be considered a strong banking organization, rated composite 1 under the BOPEC rating system for bank holding companies. Organizations not meeting these characteristics, as well as institutions with supervisory, financial, or operational weaknesses, are expected to operate well above minimum capital standards. Organizations experiencing or anticipating significant growth also are expected to maintain capital ratios, including tangible capital positions, well above the minimum levels. For example, most such organizations generally have operated at capital levels ranging from 100 to 200 basis points above the stated minimums. Higher capital ratios could be required if warranted by the particular circumstances or risk profiles of individual banking organizations. Thus, for all but the most highly-rated organizations meeting the conditions set forth above, the minimum Tier 1 leverage ratio is to be 3 percent plus an additional cushion of at least 100 to 200 basis points. In all cases, banking organizations should hold capital commensurate with the level and nature of all risks, including the volume and severity of problem loans, to which they are exposed.

A banking organization's Tier 1 leverage ratio is calculated by dividing its Tier 1 capital (the numerator of the ratio) by its average total consolidated assets (the denominator of the ratio). The ratio will also be calculated on the basis of period-end assets, whenever necessary on a case-by-case basis. For the purpose of this leverage ratio, the definition of Tier 1 capital for year-end 1992 as set forth in the risk-based capital guidelines contained in Appendix A to this Part will be used.[6] Average total consolidated assets are defined as the quarterly average total assets (defined net of the allowance for loan and lease losses) reported on the banking organization's Consolidated Financial Statements ("FR Y-9C Report"), less goodwill and any other intangible assets or investments in subsidiaries that the Federal Reserve determines should be deducted from Tier 1 capital.[7]

Whenever appropriate, including when an organization is undertaking expansion, seeking to engage in new activities or otherwise facing unusual or abnormal risks, the Board will continue to consider the level of an individual organization's tangible Tier 1 leverage ratio (after deducting all intangibles) in making an overall assessment of capital adequacy. This is consistent with the Federal Reserve's risk-based capital guidelines and long-standing Board policy and practice with regard to leverage guidelines. Organizations experiencing growth, whether internally or by acquisition, are expected to maintain strong capital positions substantially above minimum supervisory levels, without significant reliance on intangible assets.

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

Bank of Southside Virginia Corporation Carson, Virginia

Order Approving Acquisition of Shares of a Bank

Bank of Southside Virginia Corporation, Carson, Virginia ("Southside"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire up to 20 percent of the out-

5. A parent company that is engaged in significant off-balance sheet activities would generally be deemed to be engaged in activities that involve significant leverage.

6. At the end of 1992, Tier 1 capital for bank holding companies includes common equity, minority interests in equity accounts of consolidated subsidiaries, and qualifying perpetual preferred stock. (Perpetual preferred stock is limited to 25 percent of Tier 1 capital.) In addition, Tier 1 excludes goodwill. The Federal Reserve may exclude certain other intangibles and investments in subsidiaries as appropriate.

7. Deductions from Tier 1 capital and other adjustments are discussed more fully in section II.B. of Appendix A to this Part.

standing voting shares of Bank of McKenney, McKenney, Virginia.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 20,526 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act. The Board received comments in opposition to the application from Bank of McKenney and some of the employees and customers of that bank ("Protestants").[1]

The Board has previously indicated that the acquisition of less than a controlling interest in a bank is not a normal acquisition for a bank holding company.[2] However, the requirement in section 3(a)(3) of the BHC Act that the Board's approval be obtained before a bank holding company acquires more than five percent of the voting shares of a bank suggests that Congress contemplated the acquisition by bank holding companies of between five percent and 25 percent of the voting shares of banks. Moreover, nothing in section 3(c) of the BHC Act requires denial of an application solely because a bank holding company proposes to acquire less than a controlling interest in a bank or a bank holding company. On this basis, the Board has previously approved the acquisition by a bank holding company of less than a controlling interest in a bank.[3] For these reasons, the Board concludes that the purchase by Southside of less than a controlling interest in Bank of McKenney is not a factor that, by itself, warrants denial of this application.

Protestants assert, however, that Southside intends to attempt to control Bank of McKenney despite statements to the contrary made by Southside. Protestants argue that certain statements made by Southside that it desires to negotiate a friendly combination with Bank of McKenney in the future indicate that Southside will attempt to control Bank of McKenney. Protestants argue that this acquisition would result in anticompetitive effects, including reduced service to the community currently served by Bank of McKenney.

1. The Board also received five comments from shareholders of Bank of McKenney who favor Southside's proposal.

2. *State Street Boston Corporation*, 67 *Federal Reserve Bulletin* 862, 863 (1981).

3. *See, e.g., First State Corporation*, 76 *Federal Reserve Bulletin* 376 (1990) (acquisition of up to 24.9 percent of the voting shares of a bank); *Marine Midland Banks, Inc.*, 75 *Federal Reserve Bulletin* 455 (1989) (retention of warrants to acquire up to 24.99 percent of the voting shares of a bank holding company); *Midlantic Banks, Inc.*, 70 *Federal Reserve Bulletin* 776 (1984) (acquisition of 24.9 percent of the voting shares of a bank holding company); *Comerica Incorporated*, 69 *Federal Reserve Bulletin* 911 (1983) (acquisition of 21.6 percent of the voting shares of a bank).

Because Southside would not control 25 percent or more of the outstanding shares of any class of voting securities of Bank of McKenney and would not be able to elect a majority of the directors of the bank, Southside would only be deemed to control Bank of McKenney for purposes of the BHC Act at this time if the Board determines that Southside, by virtue of acquiring these shares, would be able to exercise a controlling influence over the management or policies of the bank.[4] Southside states that it will not attempt to exercise a controlling influence over the management or policies of Bank of McKenney in any manner following the proposed acquisition. In addition, Southside has committed that it will not, without the prior approval of the Board:

(1) take any action causing Bank of McKenney to become a subsidiary of Bank of Southside Virginia, Carson, Virginia ("BSV") or its parent, Southside;
(2) acquire or retain shares that would cause the combined interests of BSV, Southside, and their officers, directors, and affiliates to exceed 20 percent of the outstanding voting shares of Bank of McKenney;
(3) exercise or attempt to exercise a controlling influence over the management or policies of Bank of McKenney;
(4) seek or accept representation on the Board of Directors of Bank of McKenney;
(5) have or seek to have any representative serve as an officer, agent, or employee of Bank of McKenney;
(6) propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of Bank of McKenney;
(7) solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Bank of McKenney;
(8) attempt to influence the dividend policies or practices of Bank of McKenney;
(9) attempt to influence the loan and credit decisions or policies of Bank of McKenney, the pricing of services, any personnel decision, the location of any offices, branching, the hours of operation or similar activities of Bank of McKenney; or
(10) enter into any other banking or nonbanking transactions with Bank of McKenney, except that BSV and Southside may establish and maintain deposit accounts with Bank of McKenney, provided that the aggregate balances of all such accounts do not exceed $500,000 and that the accounts are maintained substantially on the same terms as those prevailing for comparable accounts of persons unaffiliated with Bank of McKenney.

4. 12 U.S.C. § 1841(a)(2); 12 C.F.R. 225.2(e)(1).

In the event that Southside proposes to acquire control of Bank of McKenney in the future, Southside would be required to receive prior Board approval, at which time the Board would reexamine the statutory factors based on the facts and circumstances at that time. Based on all of the facts of record as well as Southside's commitments in this case, the Board does not believe that, as currently structured, Southside would acquire control over Bank of McKenney for purposes of the BHC Act upon consummation of this proposal.

Section 3(c) of the BHC Act requires the Board in every case under section 3 of the BHC Act to analyze competitive, financial, managerial, future prospects, and convenience and needs considerations. In accordance with the terms of this section of the BHC Act, the Board has considered these factors in its analysis of this application, even though Southside's proposal involves less than a controlling interest in Bank of McKenney.[5]

Southside is the 28th largest commercial banking organization in Virginia, controlling one subsidiary bank with total deposits of $130.1 million, representing less than one percent of the total deposits in commercial banks in the state.[6] Bank of McKenney is the 125th largest commercial banking organization in Virginia, controlling deposits of $19.0 million, also representing less than one percent of the total deposits in commercial banks in the state. Southside and Bank of McKenney, if considered as a combined banking organization, would remain the 28th largest banking organization in Virginia, and would control total deposits of $149.1 million, representing less than one percent of the total deposits in commercial banks in the state. Based on all of the facts of record, the Board believes that consummation of the proposed acquisition would not have a significantly adverse effect on the concentration of commercial banking resources in Virginia.

Southside and Bank of McKenney compete directly in the Petersburg-Hopewell, Virginia RMA banking market.[7] Southside is the fifth largest of eight commercial banking organizations, controlling $71.8 million in deposits, which represents approximately 10.8 percent of the total deposits in commercial banks in that market.[8] Bank of McKenney is the seventh largest commercial banking organization, controlling $18.4 million in deposits, which represents approximately 2.7 percent of total deposits in commercial banks in the market. If considered as a combined banking organization, upon consummation of this proposal, Southside and Bank of McKenney would remain the fifth largest commercial banking organization in the market, controlling approximately 13.5 percent of the deposits in commercial banks in the market. The Herfindahl-Hirschman Index ("HHI") would increase by 59 points to 1880.[9] The Board notes that 10 bank and thrift competitors would remain in the market. Based on these and other facts of record, the Board believes that consummation of this proposal would not have a significantly adverse effect on competition in the Petersburg-Hopewell banking market.

The financial and managerial resources of Southside, its subsidiary bank, and Bank of McKenney are consistent with approval as are the future prospects of these organizations. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval of this application.

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

By order of the Board of Governors, effective August 15, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

5. *State Street Boston Corporation, supra.* As noted above, in the event that Southside proposes to acquire control of Bank of McKenney in the future, Southside would be required to submit an application for such an acquisition, and the Board would reexamine the competitive effects of such an acquisition as well as all of the other factors in section 3(c) of the BHC Act in view of the new set of facts and circumstances.

6. State banking data are as of March 31, 1990.

7. The Petersburg-Hopewell, Virginia RMA banking market is approximated by the Petersburg-Hopewell RMA, including the independent city of Colonial Heights, and the remainder of the counties of Dinwiddie and Prince George.

8. Market data are as of June 30, 1989.

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

Orders Issued Under Section 4 of the Bank Holding Company Act

C&S/Sovran Corporation
Norfolk, Virginia

Acquisition of Certain Companies Engaged in Permissible Insurance Agency Activities

C&S/Sovran Corporation, Norfolk, Virginia ("Applicant"), has applied pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843) ("BHC Act") to acquire the nonbank subsidiaries of The Citizens and Southern Corporation, Atlanta, Georgia ("C&S") and Sovran Financial Corporation, Norfolk, Virginia ("Sovran"), engaged in certain insurance underwriting and agency activities. In particular, Applicant proposes to acquire Sovran Credit Corporation, Elizabeth City, Virginia; Sovran Equity Mortgage Corporation, Richmond, Virginia; Sovran Mortgage Corporation, Richmond, Virginia; Sovran Life Insurance Company, Norfolk, Virginia; Tennessee Valley Life Insurance Company, Nashville, Tennessee; C&S Family Credit, Inc., Tucker, Georgia; The Citizens and Southern Life Insurance Company, Tucker, Georgia ("C&S Life"); Sovran Insurance Agency, Inc., Norfolk, Virginia ("Sovran Agency"); Sovran Insurance, Inc., Gaithersburg, Maryland ("Sovran Insurance"); and Citizens and Southern Insurance Services, Inc., Tucker, Georgia ("C&S Insurance") (collectively, "Insurance Subsidiaries") pursuant to sections 4(c)(8)(A), 4(c)(8)(D) or 4(c)(8)(G) of the BHC Act.[1]

Applicant, formerly known as Avantor Financial Corporation, received Board approval to become a bank holding company on July 24, 1990, by acquiring Sovran and C&S and certain nonbank subsidiaries of both Sovran and C&S.[2] In connection with that application, the Board received comments from several insurance trade associations ("Protestants")[3] alleging that some of the insurance activities conducted by subsidiaries of Sovran and C&S are prohibited under section 4(c)(8) of the BHC Act, as amended by Title VI of the Garn–St Germain Depository Institutions Act of 1982 ("Garn–St Germain Act"),[4] or will be prohibited upon consummation of this proposal. The Garn–St Germain Act amended section 4(c)(8) of the BHC Act to provide that, with seven exceptions, insurance activities are not closely related to banking and thus are not generally permissible for bank holding companies. 12 U.S.C. § 1843(c)(8); *see also* 12 C.F.R. 225.25(b)(8). The Board deferred action on Applicant's proposal to acquire the insurance subsidiaries of Sovran and C&S to afford the Applicant an opportunity to more fully address the issues raised by the Protestants.[5] Applicant claims that it may acquire the insurance subsidiaries of C&S and Sovran under Exemptions A, D or G of the Garn–St Germain Act.

Exemption A

Sovran Credit Corporation, Sovran Equity Mortgage Corporation, Sovran Mortgage Corporation, Tennessee Valley Life Insurance Company and C&S Family Credit, Inc., engage solely in acting as agent in the sale of credit-related life, disability and involuntary unemployment insurance permissible under Exemption A. Sovran Life Insurance Company and C&S Life act as both agent and underwriter of the types of credit-related insurance permissible under Exemption A. Applicant proposes to conduct credit-related insurance agency and underwriting activities through these subsidiaries in accordance with Exemption A, and the Board's regulations and orders implementing Exemption A.

Exemption G

Applicant argues that it may acquire and operate C&S Insurance pursuant to Exemption G of the Garn–St Germain Act, which allows a bank holding company or its subsidiary to continue to engage in any insurance agency activity if the bank holding company or subsidiary was engaged in insurance agency activities prior to January 1, 1971, as a consequence of approval by the Board prior to that date.[6]

C&S Insurance currently conducts insurance activities pursuant to Exemption G. Applicant argues that it should be permitted to acquire and engage in insurance activities through C&S Insurance on the basis of Exemption G rights that accrue to C&S and C&S Insurance. Applicant claims that this proposal is similar to a corporate reorganization whereby Sovran, C&S and their subsidiaries—including C&S Insurance—will continue to conduct their activities in the

1. 12 U.S.C. §§ 1843(c)(8)(A), (D) and (G).
2. *See C&S/Sovran Corporation/Avantor Financial Corporation*, 76 *Federal Reserve Bulletin* 779 ("Avantor Order").
3. The Board has received comments opposing Board approval of these applications from the Independent Insurance Agents of America, Inc., the National Association of Casualty and Surety Agents, National Association of Life Underwriters, National Association of Professional Insurance Agents, National Association of Surety Bond Producers, the New York State Association of Life Underwriters, Professional Insurance Agents of New York, Inc., and Independent Insurance Agents of New York, Inc.
4. Pub. L. 97–320, Title VI, 96 Stat. 1469, 1536–38 (1982).
5. *See Avantor Order* at note 24.
6. 12 U.S.C. § 1843(c)(8)(G).

same manner as had been conducted prior to this transaction. In addition, Applicant argues that this proposal could have been structured as the acquisition of Sovran by C&S, which is a structure that Applicant argues would have preserved Exemption G privileges accruing to C&S and C&S Insurance.

The Board has previously determined that Exemption G privileges expire when the bank holding company possessing the Exemption G rights is acquired by another bank holding company that does not independently qualify for Exemption G privileges.[7] In this case, Applicant does not qualify for the privileges of Exemption G because Applicant was not engaged in insurance activities prior to January 1, 1971.

The Board does not believe that the facts of this case justify a different conclusion. This case represents the combination of two major banking organizations into a new bank holding company that will have significantly greater resources and geographic scope of operations than either of the two combining companies. As the Board has previously noted, there is no indication that Congress intended that the broad insurance powers permitted under Exemption G should be exercised by new companies with the potential to expand significantly the scope and amount of insurance sold and the locations from which such insurance is offered.[8] Thus, the Board believes that it would be inconsistent with the terms and purposes of Exemption G to permit Applicant to acquire and retain C&S Insurance pursuant to Exemption G. Accordingly, Applicant may not, either directly or indirectly, continue to exercise the Exemption G rights previously enjoyed by C&S.[9]

Exemption D

In the alternative, Applicant proposes to acquire and conduct insurance agency activities through C&S Insurance pursuant to Exemption D of the Garn–St Germain Act. Similarly, Applicant proposes to acquire and conduct insurance agency activities through Sovran Agency and Sovran Insurance pursuant to Exemption D. Exemption D permits a bank holding company and any subsidiary of a bank holding company to continue to engage in any insurance agency activity in which the company was engaged on May 1, 1982, or which the Board approved for such company on or before May 1, 1982. C&S Insurance, Sovran Agency and Sovran Insurance were all subsidiaries of bank holding companies and had conducted insurance agency activities since prior to May 1, 1982.[10] The Protestants contend that Applicant has not provided an adequate basis for determining the extent to which C&S Insurance and Sovran Insurance qualify for Exemption D privileges.[11]

The Board has previously stated that the requirement that a company have been "engaged in" insurance agency activities on May 1, 1982, in order to qualify for grandfather privileges under Exemption D does not require the company to show that it actually engaged in the sale of each particular type of insurance product on the specific grandfather date.[12] Instead, the Board has determined that a company would meet the requirements of Exemption D for particular types of insurance if the company provides evidence that it was legally permitted to act as agent for those types of insurance on May 1, 1982, that the company held itself out to the public as agent for the particular types of insurance for which the company seeks grandfather privileges, and that the company had not abandoned the business prior to the grandfather date.[13] In previous Orders,[14] the Board has indicated that a variety of types of evidence could establish Exemption D rights, including copies of insurance agency licenses in effect on and around May 1, 1982, copies of policies for which the company acted as agent during the 12 months prior to May 1, 1982, material advertising the types of insurance policies sold by the company, and summaries prepared by insurance underwriters of policies sold and revenues received by the agency. Other evidence, including affidavits of the company's em-

7. *Trustcorp Inc.*, 73 *Federal Reserve Bulletin* 827, 829 (1987).

8. *Id.* at 829.

9. Applicant had originally proposed to conduct insurance agency activities through C&S Life under Exemption G. Because C&S Life is engaged only in underwriting credit-related insurance pursuant to Exemption A, Applicant has withdrawn its request that the Board approve the retention of the Exemption G rights of this subsidiary following consummation of this proposal. Applicant has committed that C&S Life will only conduct those activities permissible under section 4(c)(8)(A) of the BHC Act.

10. The Protestants contend that, upon consummation of this proposal, the insurance agency activities currently conducted by Sovran Agency, Sovran Insurance and C&S Insurance pursuant to Exemption D will no longer be permissible under this exemption. The Protestants argue that a company cannot continue to conduct insurance agency activities in reliance on Exemption D following acquisition of the company by another bank holding company. The Board has previously considered and rejected this claim. *See Shawmut National Corporation*, 74 *Federal Reserve Bulletin* 182 (1988); *Sovran Financial Corporation*, 73 *Federal Reserve Bulletin* 672 (1987)("*Sovran*"). The courts have reviewed and upheld the Board's decision in this matter. *National Association of Casualty and Surety Agents v. Board of Governors*, 856 F.2d 282, *reh'g denied en banc*, 862 F.2d 351 (D.C. Cir. 1988), *cert. denied*, 109 S.Ct. 2430 (1989).

11. Because Sovran Agency conducts only credit-related insurance activities that were approved by the Board prior to 1982, the Protestants challenge only the ability of Sovran Agency to continue to conduct these activities pursuant to Exemption D after its transfer to Applicant, and do not otherwise challenge the basis for the particular lines of insurance that Applicant claims this subsidiary was selling pursuant to Exemption D on the grandfather date.

12. *See Citicorp*, 76 *Federal Reserve Bulletin* 70, 73 (1990) ("*Citicorp*").

13. *See Citicorp*.

14. *See Citicorp; see also MidAmerican Corporation*, 76 *Federal Reserve Bulletin* 559 (1990).

ployees, may also support a finding that a company qualifies for Exemption D rights.

In this case, C&S received approval from the Board in 1969 to acquire the predecessor of C&S Insurance, The Citizens and Southern Agency, Inc., and thereby engage in acting as agent in the sale of insurance in connection with loans made by C&S's subsidiary banks, and insurance written for C&S and its subsidiaries in connection with the management of their banking business and operations.[15] In that Order, the Board defined the scope of insurance agency activities that C&S Insurance could conduct to include selling casualty insurance on loan collateral (*e.g.*, fire, theft, collision) or otherwise for the purpose of assuring the ability of borrowers to repay the loans (*e.g.*, liability insurance in the case of loans secured by automobiles, business interruption insurance). The Board's Order specifically stated that insurance sold by C&S Insurance to borrowers would be in connection with loans from affiliated banks and not to customers generally merely because of a customer relationship.

The record indicates that, on May 1, 1982, C&S Insurance did engage in these insurance agency activities. C&S Insurance has provided copies of insurance licenses held by C&S Insurance or its employees on May 1, 1982, in Georgia, Alabama, Florida, Louisiana, and Mississippi. Applicant has also submitted financial statements and revenue sheets of C&S Insurance, and commissions statements written by underwriters showing that during April and May of 1982, C&S Insurance derived premium revenues from the sale, in connection with loans made by bank subsidiaries of C&S, of automobile insurance, agricultural and contractor's equipment insurance, disability insurance, life insurance, and comprehensive fire, theft and transportation insurance on wholesale and retail equipment. C&S Insurance has also provided insurance policies and related documents, and agreements with underwriters that were effective on and around May 1, 1982 indicating that C&S Insurance was authorized to sell property and casualty insurance and comprehensive and liability insurance covering mobile homes, boats, household goods, trailers and motorcycles, and fire, theft and physical damage to automobiles.

Based on these and the other facts of record in this case, the Board believes that on May 1, 1982, C&S Insurance acted as agent, pursuant to the Board's 1969 Order, in the sale of life, health and disability insurance, personal and commercial property and casualty insurance, fidelity and surety insurance described above, all in connection with loans made by bank subsidiaries of C&S, and insurance in connection with the management of the banking business and operations of C&S and its subsidiaries.[16] Accordingly, C&S Insurance is entitled to Exemption D rights and may continue to conduct these insurance agency activities that it conducted on May 1, 1982 pursuant to Exemption D.[17] Under Exemption D, the insurance-agency activities of C&S Insurance may be conducted only in Georgia, states adjacent to Georgia, or states in which C&S Insurance lawfully engaged in insurance activities on May 1, 1982.[18]

With regard to Sovran Insurance, the Board has previously determined that Sovran Insurance qualifies for the privileges provided in Exemption D.[19] Protestants were parties to that application and did not question the claim by Sovran Insurance that it conducted insurance agency activities on May 1, 1982, or the scope of its activities on that date, and did not challenge the Board's findings in that case that Sovran Insurance did engage in insurance activities on that date.[20] The Board believes that, as parties to that proceeding with full opportunity to raise these questions, a plausible argument could be made that Protestants are precluded now from challenging the finding in that case that Sovran Insurance is entitled to conduct insurance agency activities pursuant to Exemption D.[21] In this regard, Applicant has proposed that Sovran Insurance will act as agent for the sale of only those types of insurance for which Sovran Insur-

15. *See The Citizens and Southern Holding Company and The Citizens and Southern National Bank*, 55 *Federal Reserve Bulletin* 673 (1969).

16. *See id.*

17. Applicant contends that, under Exemption D, C&S Insurance may also conduct insurance agency activities that C&S Insurance did not conduct on May 1, 1982, but for which C&S Insurance received Board approval prior to May 1, 1982. The terms of Exemption D provide that a bank holding company and its subsidiaries may engage in any insurance agency activity which the Board approved for such company on or before May 1, 1982. This language would appear to permit a bank holding company that had received Board approval to conduct insurance agency activities at any time prior to May 1, 1982, to continue those activities pursuant to Exemption D, provided the Board's approval continued to be effective on the grandfather date. As noted above, C&S Insurance conducted insurance agency activities pursuant to approval that it had received from the Board in 1969. That approval has not by its terms expired. However, Applicant has not indicated that the scope of the Board's 1969 order permits C&S Insurance to sell any particular types of insurance beyond those that it actually sold as agent on May 1, 1982. Accordingly, the Board believes that it need not at this time decide the issue of whether Exemption D would permit C&S Insurance to conduct insurance activities beyond those that it in fact conducted on May 1, 1982.

18. In this regard, in Louisiana and Mississippi, C&S Insurance may continue to act as agent in the sale of those types of insurance described in this order which Applicant has documented were sold by C&S Insurance in Louisiana and Mississippi on and around the grandfather date. *See infra.*

19. *See Sovran.*

20. *See id.* at 673, 675.

21. The Board notes that, had the Protestants questioned the scope of Sovran Insurance's Exemption D rights at the time of the appeal of the *Sovran* Order, Protestants likely would have been estopped from raising this issue in front of the appeals court because it had not been raised before the Board. *See United States v. L.A. Tucker Truck Lines, Inc.*, 344 U.S. 33 (1952).

ance (as it then existed), acted as agent on May 1, 1982. In conjunction with this application, Applicant has also submitted various materials that document the types of insurance that Sovran Insurance sold as agent on and around the grandfather date. The record indicates that Sovran Insurance held a Maryland Residence Insurance Broker's License authorizing the agency to sell all types of insurance in Maryland on May 1, 1982, and copies of valid licenses demonstrating that employees of Sovran Insurance were licensed to act as agent for the sale of accident and health, life, and property and casualty insurance in the state of Maryland on May 1, 1982. In addition, Applicant has submitted commissions statements of underwriters indicating that agents of Sovran Insurance sold life insurance during April and May of 1982. Applicant has also submitted insurance policies and related documents that were effective on and around May 1, 1982, that were sold by Sovran Insurance covering workman's compensation, automobile, motorcycle, boat, home and commercial property insurance. Moreover, Applicant has also submitted copies of surety bonds sold during March of 1982, and annual reports showing that Sovran Insurance sold various forms of fidelity insurance that were effective on the grandfather date.

Based on these and other facts of record in this case, as well as the Board's previous decision regarding the activities of Sovran Insurance, the Board finds that, following consummation of this proposal, Sovran Insurance would remain entitled to Exemption D rights, and may continue to engage, pursuant to Exemption D, in the sale as agent of the types of insurance for which Sovran Insurance acted as agent on May 1, 1982, as described in this Order. Under the terms of Exemption D, the insurance agency activities of Sovran Insurance may be conducted only in Maryland, states adjacent to Maryland, and states in which Sovran Insurance lawfully engaged in insurance activities on May 1, 1982.

In acting on an application under section 4(c)(8) of the BHC Act, the Board must consider whether an applicant's performance of the proposed activities "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

The Board believes that approval of this application would permit the Insurance Subsidiaries to remain viable competitors and permit consumers in the areas served by the Insurance Subsidiaries to benefit from continued access to these companies as a source of insurance products and services. The Applicant has committed that, following consummation of this proposal, the geographic scope of all insurance activities will not be expanded beyond the scope permitted in the relevant exemptions in section 4(c)(8) of the BHC Act, and that all insurance activities will be conducted in accordance with applicable state laws.[22] The record does not indicate that approval of this application would result in undue concentration of resources, unfair or decreased competition, conflicts of interest, unsound banking practices, or other adverse effects. Accordingly, the Board believes that the balance of public interest factors in this case weighs in favor of approval of this application.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.[23] This determination is subject to the conditions that the insurance activities be conducted solely by the Insurance Subsidiaries, which must remain independent subsidiaries of Applicant, and that C&S Insurance limit its insurance activities to the insurance agency activities that the Board has found in this Order were conducted by C&S Insurance on May 1, 1982; that C&S Insurance conduct its permitted insurance agency activities only in Georgia, states adjacent to Georgia, and states in which C&S Insurance was lawfully engaged in the activity on May 1, 1982; that Sovran Insurance limit its insurance activities to the insurance agency activities that the Board has found by previous Order, and has confirmed by this Order, were conducted by Sovran Insurance on May 1, 1982; that Sovran Insurance conduct these activities only in Maryland, states adjacent to Maryland, and states in which Sovran Insurance was lawfully engaged in the activity on May 1, 1982; and that these activities be conducted pursuant to all of the conditions set forth in Regulation Y. This approval is also subject to the Board's authority to require such modifications or termination of activities of the bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

22. In this regard, the Board notes that the Virginia Bureau of Insurance and the Georgia Office of the Commissioner of Insurance have opined respectively that, as this transaction is structured, the insurance activities of Sovran Agency are grandfathered by Virginia law, and the insurance activities of C&S Insurance are grandfathered by Georgia law.

23. This determination does not prevent Applicant, Sovran Insurance or C&S Insurance from providing additional evidence that it acted as agent in the sale of other types of insurance in any of the relevant states on May 1, 1982. Upon such a showing, these companies would be permitted to continue to act as agent for these types of insurance.

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

By order of the Board of Governors, effective August 27, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

C&S/Sovran Corporation
Norfolk, Virginia

Sovran Financial Corporation
Norfolk, Virginia

Order Approving Applications to Act as Agent in the Placement of All Types of Securities and as Riskless Principal in Buying and Selling Securities, and to Engage in Mortgage Banking and Financial and Foreign Exchange Advisory Activities

C&S/Sovran Corporation and its wholly owned subsidiary Sovran Financial Corporation (collectively, "Applicant"), both of Norfolk, Virginia, bank holding companies within the meaning of the Bank Holding Company Act (the "BHC Act"), have applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), through their subsidiary, Sovran Investment Corporation, Richmond, Virginia ("Company"), to:

(1) act as agent for issuers in the private placement of all types of securities, including providing related advisory services;

(2) purchase and sell all types of securities on the order of investors as riskless principal;

(3) purchase and sell mortgage loans and other extensions of credit in the secondary market as permissible under section 225.25(b)(1);

(4) provide advice with respect to foreign exchange transactions and arrange for the execution of foreign exchange transactions to the extent permissible under section 225.25(b)(17);

(5) provide financial advice, including providing valuations, fairness opinions and advice in connection with merger, acquisition, divestiture, and similar transactions; and providing advice regarding loan syndications and strategies involving interest rate and currency swaps, interest rate caps, floors, and collars, and options on such instruments; and

(6) act as agent or broker with respect to interests in loan syndications, interest rate and currency swaps, interest rate caps, floors, and collars, and options on such instruments.

Applicant, with total consolidated assets of $48.8 billion, is the 12th largest banking organization in the nation.[1] Applicant operates 15 subsidiary banks and three trust companies and engages directly and through subsidiaries in a variety of permissible nonbanking activities.[2]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (55 *Federal Register* 19,995 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act. The Board has received comments regarding the application from the Investment Company Institute ("ICI"), a trade association of the mutual fund industry.[3]

Private Placement and Riskless Principal Activities

The Board previously has determined by order that, subject to a number of prudential limitations that address the potential for conflicts of interests, unsound banking practices, or other adverse effects, acting as agent in the private placement of securities (including the provision of related advisory services) and purchasing and selling securities on the order of investors as a riskless principal are so closely related to banking as to be proper incidents thereto within the meaning of

1. Asset data are as of December 31, 1989 and account for the recently approved merger of The Citizens and Southern Corporation, Atlanta, Georgia and Sovran Financial Corporation, Norfolk, Virginia. *See Avantor Financial Corporation*, 76 *Federal Reserve Bulletin* 779 (1990). Subsequent to the Board's approval, the combined organization changed its name from Avantor Financial Corporation to C&S/Sovran Corporation.

2. Company previously has received authorization from the Board to engage in a variety of nonbanking activities, including underwriting and dealing in certain bank-ineligible securities and government securities.

3. The Board also received a comment on the application from the Women's Center for Social Change, Lynchburg, Virginia, concerning a loan application the Women's Center had made to one of Applicant's affiliate banks. The comment does not address the statutory factors the Board is required to review with respect to applications filed under section 4 of the BHC Act. *See Western Bancshares v. Board*, 480 F.2d 749 (10th Cir. 1973). In addition, to the extent that the comment may raise an issue under the Community Reinvestment Act, the Board has previously determined that the Community Reinvestment Act does not apply to applications filed under section 4 of the BHC Act. *The Mitsui Bank, Limited*, 76 *Federal Reserve Bulletin* 381 (1990).

section 4(c)(8) of the BHC Act.[4] The Board has also previously determined that, subject to certain limitations, private placement and riskless principal activities are consistent with section 20 of the Glass–Steagall Act and that revenue derived from these activities is not subject to the 10 percent revenue limitation applicable to underwriting and dealing in bank-ineligible securities.[5] In order to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, Applicant has committed that Company will conduct the proposed private placement and riskless principal activities consistent with the limitations, methods, and procedures established by the Board in these Orders.[6]

Financial Advisory and Related Activities

The Board has also determined by order that the proposed financial advisory activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[7] Applicant commits that Company will conduct the proposed financial advisory activities subject to the limitations established by the Board in the relevant Board Orders.[8]

In addition, the Board has determined by order that acting as agent or broker with respect to interest rate and currency swaps, interest rate caps, floors, and collars, and options on such instruments is closely related to and a proper incident to banking within the meaning of section 4 of the BHC Act.[9] Applicant will not act as a principal or originator with respect to these instruments, but will act solely as agent or broker. In order to minimize any possible conflicts of interests between Company's role as agent or broker[10] in swap and related transactions and its role as advisor to potential counterparties, Company will disclose to each customer the fact that Company may have an interest as a counterparty broker in the course of action ultimately taken by the customer. In any case in which an affiliate of Company has an interest in a specific transaction as a principal or intermediary, Company will also advise its customer of that fact before recommending participation in that transaction.[11] In addition, Company's advisory services will be offered only to sophisticated customers who would be unlikely to place undue reliance on investment advice received and would be better able to detect investment advice motivated by self-interest.[12]

Consummation of the proposal would provide added convenience to Applicant's customers. In addition, the Board expects that the *de novo* entry of Applicant into the market for some of these services would increase the level of competition among providers of these services. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. The financial and managerial resources and future prospects of Applicant are considered to be consistent with approval.

Based on the foregoing, the Board has determined to approve this application subject to all of the terms and conditions set forth in this Order and in the above-noted Board Orders and regulations that relate to these activities.

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

This transaction shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause

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

5. *Id.*

6. *Id. See also First Eastern Corporation*, 76 *Federal Reserve Bulletin* 764 (1990). The ICI has objected to the proposal to the extent that it could be construed to seek approval for Company to privately place, and act as a riskless principal with respect to, securities of investment companies that are sponsored or advised by Company, Applicant, or Applicant's bank or nonbank affiliates. Applicant has not requested approval to privately place, or act as a riskless principal with respect to, such securities.

7. *Canadian Imperial Bank of Commerce*, 74 *Federal Reserve Bulletin* 571 (1988); *Signet Banking Corporation*, 73 *Federal Reserve Bulletin* 59 (1987).

8. *Id.*

9. *The Fuji Bank, Limited*, 76 *Federal Reserve Bulletin* 768 (1990); *The Sumitomo Bank, Limited*, 75 *Federal Reserve Bulletin* 582 (1990).

10. An agent or broker in the swap and related markets locates, for a fee, a suitable counterparty for a party seeking to enter into a swap or related agreement.

11. Company may arrange swap transactions between its bank affiliates and third parties. In any transaction in which Company arranges a swap transaction between an affiliate and a third party, Company will inform the third party that it is acting on behalf of the affiliate.

12. Company also proposes to provide loan syndication and swap and related product advisory and brokerage services to its affiliates. This activity is permissible under section 4(c)(1)(C) of the BHC Act (12 U.S.C. § 1843(c)(1)(C)).

by the Board or by the Federal Reserve Bank of Richmond, pursuant to delegated authority.

By order of the Board of Governors, effective August 8, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

First Regional Bancorp, Inc. Hartford, Connecticut

Order Approving Application to Provide Certain Financial Advisory Services and to Act As Agent in the Private Placement of All Types of Securities

First Regional Bancorp, Inc., Hartford, Connecticut ("First Regional"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) for its subsidiary, First Regional Investcorp, Hartford, Connecticut ("Company"), to provide certain financial advisory services and to act as agent for issuers in the private placement of all types of securities.

First Regional proposes to offer, through Company, the following services (collectively, "financial advisory activities") to financial and nonfinancial institutions, and individuals who qualify as institutional customers:

(1) advice in connection with mergers, acquisitions, divestitures, reorganizations, recapitalizations, and similar transactions;
(2) business valuations;
(3) financial feasibility studies;
(4) evaluations of tender offers;
(5) fairness opinions in connection with mergers, acquisitions, and similar financial transactions;
(6) advice for management on the viability and capital adequacy of financially troubled companies;
(7) valuation opinions on transactions involving publicly held securities; and
(8) advice regarding the structuring of, and arranging for, loan syndications.

In addition, First Regional proposes to act as agent for issuers in the private placement of all types of securities.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (55 *Federal Register* 24,640 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.[1]

First Regional, with total consolidated assets of approximately $108.2 million, is the 90th largest commercial banking organization in Connecticut.[2] It operates one bank subsidiary.

The Board has previously determined by Order that the proposed financial advisory activities are closely related to banking and permissible for bank holding companies within the meaning of section 4(c)(8) of the BHC Act, and the Board reaffirms its determinations regarding these activities.[3] First Regional has committed that Company will conduct its financial advisory activities in accordance with the Board's previous Orders regarding these activities.[4] Accordingly, the Board concludes that the proposed financial advisory activities are closely related to banking.

Similarly, the Board has previously determined by Order that acting as agent for the issuer in the private placement of all types of securities is closely related to banking and permissible for bank holding companies within the meaning of section 4(c)(8) of the BHC Act.[5] First Regional has committed that Company will conduct its private placement activities in accordance with the Board's previous Orders approving this activity.[6]

First Regional has requested that the Board allow Company to have two of seven directors in common with First Regional's subsidiary bank.[7] The Board's original prohibition against interlocks was intended to preclude a member bank from engaging in impermissible securities activities, to prevent common control of the decision-making process within a bank and its securities affiliate, and to protect investors against potential conflicts of interest where one individual is

1. The Investment Company Institute has objected to First Regional's proposal to the extent that it could be construed to seek approval for Company to privately place securities of investment companies that are sponsored or advised by Company or First Regional. First Regional has not requested approval to place such securities.

2. Asset data are as of March 31, 1990. Ranking is as of June 30, 1990.

3. *See, e.g., Security Pacific Corporation*, 71 *Federal Reserve Bulletin* 118 (1985); and *Signet Banking Corporation*, 73 *Federal Reserve Bulletin* 59 (1987).

4. *See Banc One Corporation*, 76 *Federal Reserve Bulletin* 756 (1990).

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

6. *First Eastern Corporation*, 76 *Federal Reserve Bulletin* 764 (1990).

7. Two directors who will serve on the board of directors of Company currently serve as officers or directors of First Regional's subsidiary bank. Neither will serve as an officer or employee of Company.

required to advance the differing objectives of a bank and its securities affiliate.

These concerns do not appear to be significant in this application. First, First Regional is not seeking authority to engage in securities underwriting or dealing. The Board has ruled that private placement activities conducted directly by a bank do not constitute "underwriting" or "dealing" in securities because these activities do not involve a "public offering" of the securities and are conducted solely as agent.[8] All of the proposed activities could be performed directly by First Regional's subsidiary bank. Consequently, in this instance a management interlock is not prohibited by the Glass–Steagall Act. Second, the Board has noted that concerns regarding common control of a bank and a securities affiliate are less significant where, as here, the securities affiliate is engaged in agency activities and where no substantial capital is put at risk. *See Bankers Trust New York Corporation*, 74 *Federal Reserve Bulletin* 695 (1988). Third, because Company has no salesman's stake in the securities it recommends, the potential for conflicts of interest is substantially mitigated. Moreover, it is unlikely that investors would confuse Company with First Regional's subsidiary banks, because the customers of Company will be sophisticated "accredited investors."

Due to First Regional's relatively small size, its executive and management staff is significantly smaller than that of larger institutions, and the boards of directors of First Regional and its lead bank are substantially identical. First Regional seeks the director interlocks in order to oversee Company and provide continuity among First Regional's subsidiaries. Under these circumstances, the Board believes that a prohibition against director interlocks is not required by law, and that the proposed director interlocks between First Regional bank subsidiary and Company would be appropriate.

Consummation of the proposal within the framework established by this and previous Board orders is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. (12 U.S.C. § 1843(c)(8)). In addition, the financial considerations are consistent with approval of the application.

Consummation of First Regional's proposal would provide increased convenience to Company's customers and gains in efficiency. In addition, the Board expects that the *de novo* entry of First Regional into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Company can reasonably be expected to produce benefits to the public that outweigh potential adverse effects.

Based on the foregoing and other facts of record, and subject to the commitments made by First Regional and Company and the conditions set forth in this and the above-noted orders, the Board has determined that the balance of the public interest factors it is required to consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the application is hereby approved. This determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b) (12 C.F.R. 225.4(d) and 225.23(b)), and to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

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

By order of the Board of Governors, effective July 30, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

This Order corrects an Order issued on July 30, 1990.

Midland Bank, PLC
London, England

Order Approving Application to Engage in Various Travelers Check, Payment Instrument, Foreign Exchange, Precious Metal, Advisory, Check Cashing and Tax Refund Agent Activities

Midland Bank, PLC, London, England ("Midland"), a foreign bank subject to section 4 of the Bank Holding Company Act (the "BHC Act"), has applied, pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire through its

8. *Statement Concerning Applicability of the Glass–Steagall Act to the Commercial Paper Placement Activities of Bankers Trust Company* (June 4, 1985), *aff'd*, *Securities Industry Association v. Board of Governors*, 807 F.2d 1052 (D.C. Cir. 1986), *cert. denied*, 483 U.S. 1005 (1987).

wholly owned subsidiary, Thomas Cook, Inc., Princeton, New Jersey ("TCI"), all of the voting shares of Deak International Limited, New York, New York ("Deak"),[1] and thereby engage through Deak in the following activities:

(1) the issuance and sale of U.S. dollar and foreign currency denominated travelers checks and of money orders and similar consumer-type instruments with a face value of $1,000 or less (collectively, "consumer instruments");
(2) the issuance and sale of U.S. dollar denominated drafts, wires, and payment orders with a face value of $10,000 or less and foreign currency denominated drafts, wires, and payment orders with no maximum face value (collectively, "payment instruments");
(3) the purchase and sale of foreign currency at wholesale and retail for Deak's own account and for the account of others;
(4) the provision of general information on foreign exchange rates, currency markets, and the use of currencies;
(5) foreign exchange forward, options, futures, options on futures, and swap transactions for Deak's own account for hedging purposes and foreign exchange forward transactions for the account of customers;
(6) the purchase and sale of gold and silver bullion, rounds, and coins (collectively, "precious metals") for Deak's own account and the account of customers and the provision of incidental services, including providing precious metal storage facilities and assaying services, and arranging for the transportation of precious metals;
(7) acting as exclusive sales tax refund agent for the State of Louisiana in connection with the State's tax-free shopping program for foreign visitors; and
(8) cashing U.S. dollar payroll checks.

Notice of the application, affording interested persons an opportunity to comment, has been published (55 *Federal Register* 28,297 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4 of the BHC Act.

Midland, a bank organized under the laws of the United Kingdom, is the 43rd largest banking organization in the world, with total consolidated assets equivalent to $100.6 billion.[2] Midland engages directly and indirectly in a broad range of financial and commercial activities worldwide. In the United States, Midland operates a branch and an Edge corporation, both located in New York, New York.

Consumer and Payment Instrument Activities

The Board has by regulation authorized bank holding companies to engage in the issuance and sale of travelers checks, as well as the issuance and sale of consumer instruments, with a maximum face value of $1,000 or less.[3] 12 C.F.R. 225.25(b)(12). The Board has by order approved the issuance and sale of variably denominated payment instruments with a maximum face value of $10,000. *See, e.g., BankAmerica Corporation*, 73 *Federal Reserve Bulletin* 727 (1987). The Board has also approved by order the issuance and sale of variably denominated payment instruments with no maximum face value, subject to operational restrictions and reporting requirements substantially similar to those proposed in this application. *Midland Bank, PLC*, 74 *Federal Reserve Bulletin* 252 (1988); *Wells Fargo & Co.*, 72 *Federal Reserve Bulletin* 148 (1986).

In considering previous applications regarding variably denominated payment instruments, the Board has expressed concern that the issuance of instruments in denominations larger than $1,000 would result in an adverse effect on the reserve base because such instruments are not subject to transaction account reserve requirements. In this regard, the Board has noted that, because reserve requirements serve as an essential tool of monetary policy, the conduct of that policy could be adversely affected by the erosion of reservable deposits in the banking system. Accordingly, in order to prevent such potential adverse effects, the Board has conditioned approval of similar proposals on a commitment that the applicant subject all proceeds of any payment instrument having a face value in excess of $10,000 (or the foreign currency equivalent) to reserve requirements by depositing such proceeds into a demand deposit account.[4] The Board has also imposed reporting requirements concerning these payment instrument activities. Applicant has commit-

1. Midland also will acquire through TCI the following two subsidiaries of Deak International: Deak International Goldline (U.S.) Ltd., New York, New York; and Deak & Co. AG Zurich, Zurich, Switzerland. The activities of these companies are included in the list above.
2. Asset data are as of December 31, 1989.

3. As an incident to its proposal to issue travelers checks and consumer instruments, Midland proposes to cash U.S. dollar and foreign currency denominated travelers checks; purchase and send for collection U.S. dollar or foreign currency denominated consumer instruments generally drawn abroad; act as payment agent for wire transfers and payment orders issued by affiliated and unaffiliated institutions; and provide refunds for lost or stolen consumer instruments. The Board has previously noted that these activities are generally provided by an issuer of travelers checks, and believes that these activities are incidental to the proposed activity of issuing travelers checks. *See BankAmerica Corporation*, 38 *Federal Register* 16,280 (June 21, 1973).
4. *See Wells Fargo & Co.* and *Midland Bank, PLC*, *supra*.

ted that it will conduct its proposed payment instrument activities in accordance with the operational and reporting requirements established by these Board Orders.

Foreign Exchange Activities

The Board has previously determined by order that engaging in the purchase and sale of foreign currency for a company's own account and for the account of others is permissible for bank holding companies.[5] The Board has also previously determined by order that engaging in foreign exchange forward transactions for the account of customers is permissible under section 4(c)(8) of the BHC Act.[6] In addition, the Board has determined that providing general information on foreign exchange rates, currency markets, and the use of various currencies is an activity incidental to the purchase and sale of foreign currency.[7]

In order to offset the potential risks of its foreign exchange trading activities, Midland also proposes to engage through Deak in foreign exchange forward, futures, options, options on futures, and currency swap transactions for its own account as means to hedge Deak's positions in the underlying foreign currencies. The Board has previously approved the use of forward contracts, futures, options, and options on futures by bank holding companies to hedge positions in foreign exchange.[8] Although the Board has not to date determined that a bank holding company may enter into currency swap transactions for hedging its own position in foreign currency, the Board has previously found that banks engage in this activity.[9] In conducting this activity in currency swaps, Midland will adopt the same policies, quantitative limitations, and internal controls and audit programs applicable to its trading in futures, options, options on futures, and similar contracts used for hedging, including the guidelines in the Board's Policy Statement regarding this type of activity. Accordingly, the Board finds that the proposed activity of entering into currency swap transactions for hedging purposes is closely related to banking for purposes of section 4(c)(8) of the BHC Act.

Precious Metals Activities

The Board has also previously determined that the purchase and sale of gold and silver bullion, bars, rounds, and coins for a company's own account and the account of others is a permissible activity for bank holding companies.[10] The Board has also determined that the provision of gold and silver assaying and storage services, arranging for the transport of gold and silver, and certain administrative duties with respect to gold and silver are activities that are part of and incidental to these permissible precious metal trading activities, and are, therefore, permissible for bank holding companies.[11]

Tax Refund Agent and Payroll Check Cashing Activities

Deak currently acts as the exclusive sales tax refund agent for the State of Louisiana in connection with the State's tax-free shopping program for foreign visitors. Under this program, foreign visitors present sales invoices evidencing sales taxes paid in Louisiana to Deak offices in Louisiana. Deak refunds the tax in U.S. dollars to the visitor, less a handling fee. Deak then remits a portion of the handling fee to the State,

5. *Midland Bank, PLC*, 74 *Federal Reserve Bulletin* 577 (1988) ("*Midland II*"); *Long-Term Credit Bank of Japan, Ltd.*, 74 *Federal Reserve Bulletin* 573 (1988) (approving the trading of foreign exchange for a company's own account).

6. *See, e.g., Hongkong and Shanghai Banking Corporation*, 69 *Federal Reserve Bulletin* 221 (1983).

7. *Midland II*. Midland proposes to provide general information on foreign currency, including information regarding current and historical currency rates, historical rate trends, and the convertibility of currency. Midland does not propose to provide investment advice regarding foreign currency, which would include, for example, advice intended to assist customers in monitoring, evaluating, and managing foreign exchange exposure.

8. *See, e.g., The Nippon Credit Bank, Ltd.*, 75 *Federal Reserve Bulletin* 308 (1989) (approving purchase and sale of foreign exchange forward, futures, and options contracts for hedging purposes); *The Hongkong and Shanghai Banking Corporation*, 75 *Federal Reserve Bulletin* 217 (1989). *See also* Statement of Policy Concerning Bank Holding Companies Engaging in Futures, Forward and Option Contracts on U.S. Government and Agency Securities and Money Market Instruments ("Policy Statement"). 12 C.F.R. 225.142 (establishing guidelines for trading in forward, futures, and options contracts on financial instruments).

9. *See, e.g., The Sumitomo Bank, Limited*, 74 *Federal Reserve Bulletin* 582 (1989). *See also* Policy Statement.

10. *See Westpac Banking Corporation*, 73 *Federal Reserve Bulletin* 61 (1987) ("*Westpac*"); *Standard and Chartered Banking Group, Limited*, 38 *Federal Register* 27,552 (1973). Midland also proposes to provide or arrange financing for its customers' purchases of precious metals. These financing activities are permissible for bank holding companies under the Board's Regulation Y. 12 C.F.R. 225.25(b)(1).

11. *See Westpac*. Midland also proposes to purchase and sell forward, futures, options, and options on futures contracts on gold and silver to hedge its activities in these precious metals. The Board has not determined that these activities, if conducted independently of the underlying activity in precious metals, are closely related to banking, but has determined that these activities are incidental to the proposed activities in precious metals. *Id*. The Board expects that Midland will conduct the proposed precious metal forward, futures, and options on futures transactions in accordance with the Policy Statement. In connection with the sale of precious metals, Midland proposes to provide general information on precious metals to customers. The information provided will consist primarily of easily verifiable public information. Midland will not provide advice on precious metals exposures or on investment in precious metals and will not make recommendations to customers regarding investments in precious metals. The Board believes that this limited activity is incidental to permissible precious metals activities.

and the State and local tax authorities reimburse Deak for the tax refunds advanced. In addition, Deak currently cashes U.S. dollar payroll checks on a limited basis, primarily to accommodate employees in airport facilities that lack banking services but where Deak maintains offices. Midland proposes to continue these activities after its acquisition of Deak. Midland contends that the activities of acting as a tax refund agent and cashing checks are closely related to banking for purposes of section 4(c)(8) of the BHC Act.

Section 4(c)(8) of the BHC Act permits a bank holding company to engage in activities that the Board has determined by order or regulation to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." 12 U.S.C. § 1843(c)(8). In making that determination, the Board and the courts have recognized the utility of several alternative guidelines announced in *National Courier Association v. Board of Governors of the Federal Reserve System.*[12] Under the *National Courier* guidelines, an activity may be found to be closely related to banking if:

(1) banks generally have in fact provided the proposed services; or

(2) banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed service; or

(3) banks generally provide services that are so integrally related to the proposed service as to require their provision in a specialized form.[13] The Board may also consider any other basis that an applicant may advance to demonstrate a "reasonable or close connection or relationship of the activity to banking."[14]

Banks routinely act as agents for customers in numerous fashions. Banks may forward to taxing authorities tax receipts delivered to the bank on payment of taxes due. In addition, banks commonly act as fiscal agent for government authorities, an activity which, like the proposed activity, involves disbursing funds on behalf of state and local governments.[15] For these reasons, the Board concludes that the proposed activity of acting as sales tax refund agent for the State of Louisiana is closely related to banking for purposes of section 4(c)(8) of the BHC Act.

Check cashing is a fundamental banking activity performed routinely by banks.[16] Deak proposes to cash only checks drawn on unaffiliated banks, and these offices will not be operated as branches of Midland or any affiliated bank. The Board concludes that the proposed activity is closely related to banking for purposes of section 4(c)(8) of the BHC Act.

Financial and Managerial Resources and Other Factors

In order to approve this application, the Board must find that performance of the proposed activities "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

In evaluating these factors under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the proposal on these resources.[17] In this case, the Board notes that the stated primary capital ratio of Midland meets the minimum capital guidelines for United States multinational bank holding companies. Further, Midland's core capital exceeds the 1992 minimum standard adopted by the Basle Committee. In view of these and other facts of record, the Board has determined that the financial and managerial factors are consistent with approval of the application.

Midland, through TCI, competes with Deak in several lines of business, including the sale of travelers checks and other consumer instruments; the purchase and sale of foreign currency (and the provision of related advisory services); and the issuance and sale of foreign currency denominated payment instruments. However, the markets in which TCI and Deak currently compete are not highly concentrated and neither firm has a substantial market share in those markets. Moreover, following consummation numerous competitors would remain in these markets. Consummation of the proposed acquisition is therefore unlikely to result in any significantly adverse competitive effects.

Under the framework and subject to the conditions established in this and prior Orders, the Board believes that consummation of this proposal is not likely to result in any significantly adverse effects, such as

12. 516 F.2d 1229 (D.C. Cir. 1975).

13. The United States Supreme Court has approved, and other United States courts of appeals have followed, the *National Courier* guidelines. *See, e.g., Securities Industry Association v. Board of Governors of the Federal Reserve System*, 468 U.S. 207 (1984); *NCNB Corp v. Board of Governors of the Federal Reserve System*, 599 F.2d 609 (4th Cir. 1979); *Alabama Association of Insurance Agents v. Board of Governors of the Federal Reserve System*, 533 F.2d 224 (5th Cir. 1976), *modified on other grounds*, 588 F.2d 729 (1977), *cert. denied*, 435 U.S. 904 (1978).

14. 49 *Federal Register* 806 (1984). *See also Association of Data Processing Organizations, Inc. v. Board of Governors of the Federal Reserve System*, 745 F.2d 677, 686 (D.C. Cir. 1984).

15. *See, e.g.*, 12 U.S.C. § 90.

16. *See, e.g.*, 12 U.S.C. § 24(Seventh) (expressly authorizing national banks to negotiate drafts).

17. 12 C.F.R. 225.24.

undue concentration of resources, decreased or unfair competition, conflicts of interests, or unfair banking practices. Accordingly, the Board has determined that the performance of the proposed activities by Midland can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

On the basis of the foregoing, including the commitments made by Midland, the Board has determined to, and hereby does, approve this application subject to all the terms and conditions set forth in this Order and in the above noted Board Orders and regulations that relate to these activities. The Board's determination is also subject to all the conditions established in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder.

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

By order of the Board of Governors, effective August 15, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

NCNB Corporation
Charlotte, North Carolina

Order Approving Application to Engage in Certain Securities-Related Activities, Including Acting as Agent in the Private Placement of All Types of Securities, Providing Securities Brokerage and Investment Advisory Services on a Combined, Basis, and Acting as "Riskless Principal"

NCNB Corporation, Charlotte, North Carolina ("NCNB"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of the Board's Regulation Y (12 C.F.R. 225.23(a)(2)) for its wholly owned subsidiary, NCNB Capital Markets, Inc., Charlotte, North Carolina ("Company"), to provide securities brokerage and investment advisory services, both on a separate and combined basis; to act as agent in the private placement of all types of securities, including providing related advisory services; and to buy and sell securities on the order of customers as a "riskless principal."

Company is currently authorized to underwrite and deal in securities eligible to be underwritten and dealt in by U.S. member banks, and to underwrite and deal in, to a limited extent, municipal revenue bonds, 1–4 family mortgage-related securities, commercial paper, and consumer receivable-related securities.[1] Company is registered as a broker–dealer under the securities laws of the United States (and certain states) and is a member of the National Association of Securities Dealers, Inc.

NCNB, with approximately $69.4 billion in consolidated assets, is the third largest commercial banking organization in the United States.[2] It operates 10 subsidiary banks and engages directly and through subsidiaries in a broad range of permissible nonbanking activities in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (55 *Federal Register* 23,980 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

The Board has previously determined by Order that full-service brokerage/activities are permissible nonbanking activities for bank holding companies under section 4(c)(8) of the BHC Act. *PNC Financial Corporation*, 75 *Federal Reserve Bulletin* 396 (1989); *Bank of New England Corporation*, 74 *Federal Reserve Bulletin* 700 (1988). NCNB proposes that Company engage in these full-service brokerage activities in accordance with all of the conditions set forth in those Orders. Company would also engage in investment advisory and securities brokerage activities on a separate basis pursuant to the Board's Regulation Y. 12 C.F.R. 225.25(b)(4) and (15).

The Board has previously determined that, subject to certain prudential limitations established to address the potential for conflicts of interests, unsound banking practices or other adverse effects, the proposed private placement and "riskless principal" activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8)

1. *NCNB Corporation*, 75 *Federal Reserve Bulletin* 520 (1989) ("*NCNB* Order").
2. Data are as of December 31, 1989.

of the BHC Act. The Board has also previously determined that acting as agent in the private placement of securities and purchasing and selling securities on the order of investors as a "riskless principal" do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass–Steagall Act, and that revenue derived from these activities is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing.[3] NCNB has committed that Company will conduct its private placement and "riskless principal" activities using the same methods and procedures, and subject to the same prudential limitations established by the Board in the *Bankers Trust* Order, as modified by the *J.P. Morgan* Order.

NCNB has proposed to have its affiliated banks extend credit to an issuer whose debt securities have been placed by the section 20 subsidiary where the proceeds would be used to pay the principal amount of the securities at maturity. NCNB has committed that these extensions of credit will conform to the limitations set forth in the Board's decision in *J.P. Morgan*, including the requirement that a period of at least three years elapse from the time of the placement of the securities to the decision to extend credit, that NCNB maintain adequate documentation of these transactions and decisions, and that the extensions of credit meet prudent and objective standards as well as the standards set out in section 23B of the Federal Reserve Act.[4] The Federal Reserve Bank of Richmond will closely review loan documentation of bank affiliates to ensure that an independent and thorough credit evaluation has been undertaken with respect to the participation of the bank in these credit extensions to issuers of securities privately placed by an agent affiliated with the bank.

NCNB also has proposed to have Company place securities with its parent holding company or with a nonbank subsidiary of the parent company consistent with the Board's ruling in *J.P. Morgan*. In this regard, NCNB will establish both individual and aggregate limits on the investment by affiliates of the section 20 subsidiary in any particular issue of securities that is placed by the section 20 subsidiary and will establish appropriate internal policies, procedures, and limitations regarding the amount of securities of any particular issue placed by Company that may be purchased by NCNB and each of its nonbanking subsidiaries, individually and in the aggregate.[5] These policies and procedures, as well as the purchases themselves, will be reviewed by the Federal Reserve Bank of Richmond.

Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. Consummation of the proposal would provide added convenience to NCNB's customers. In addition, the Board expects that the *de novo* entry of NCNB into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by NCNB can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the above, the Board has determined to, and hereby does, approve the application subject to all of the terms and conditions set forth in this Order, and in the above-noted Board Orders that relate to these activities. The Board's determination is also subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and Orders issued thereunder.

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

By order of the Board of Governors, effective August 6, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

4. 12 U.S.C. § 371c-1.

5. The limit established shall not exceed 50 percent of the issue being placed. Additionally, in the development of these policies and procedures, NCNB will incorporate, with respect to placements of securities, the limitations established by the Board in condition 12 of its Order regarding aggregate exposure of the holding company on a consolidated basis to any single customer whose securities are underwritten or dealt in by Company. *J.P. Morgan & Company, Incorporated, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp and Security Pacific Corporation*, 75 *Federal Reserve Bulletin* 192 (1989).

The Royal Bank of Scotland Group plc
Edinburgh, Scotland

Order Approving Applications to Act as Agent in the Private Placement of All Types of Securities, and to Engage in Commercial Real Estate Equity Financing, Financial Advisory Services and Real Estate Investment Advisory Services

The Royal Bank of Scotland Group plc, Edinburgh, Scotland ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"),[1] has applied for the Board's approval under section 4(c)(8) of the BHC Act, 12 U.S.C. § 1843(c)(8), and section 225.23(a)(3) of the Board's Regulation Y, 12 C.F.R. 225.23(a)(3), for its wholly owned subsidiaries, Charterhouse Inc. and Charterhouse North America Securities, Inc., both of New York, New York ("Companies"), to act as agent in the private placement of securities, and to:

> provide advice to financial and nonfinancial institutions and high net worth individuals with respect to merger, acquisition, divestiture, and financing transactions, including loan syndications, interest rate swaps, interest rate caps, and similar transactions; perform valuation services for financial and nonfinancial institutions and high net worth individuals; render fairness opinions in connection with mergers, acquisitions, and similar transactions; and prepare feasibility studies for corporations (collectively, "financial advisory services").

Applicant has also applied under section 4(c)(8) to engage in certain real estate investment advisory activities and commercial real estate equity financing services through the acquisition of a general partnership interest in Continental Partners, New York, New York ("Continental"), a *de novo* general partnership.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 17,670 (1990)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, a bank holding company organized under the laws of the United Kingdom, has total consolidated assets equivalent to $49.67 billion.[2] Applicant engages directly and indirectly in a broad range of financial activities through its offices worldwide. In the United States, Applicant owns a bank holding company based in Providence, Rhode Island, and operates a branch in New York, an agency in San Francisco, and representative offices in Chicago, Los Angeles, and Houston.

Private Placement and Financial Advisory Services

The Board has previously determined that, subject to a number of prudential limitations that address the potential for conflicts of interests, unsound banking practices, and other adverse effects, the proposed private placement activity is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[3] In those orders, the Board also found that acting as agent in the private placement of securities is consistent with section 20 of the Glass–Steagall Act, and that revenue derived from that activity is not subject to the 10 percent revenue limitation on underwriting and dealing in ineligible securities. In order to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, Applicant has proposed that Companies conduct this activity consistent with the limitations, methods, and procedures established by the Board in approving this activity, as these limitations have been modified to reflect Applicant's status as a foreign bank.[4]

The Board has also determined by order that the proposed financial advisory services are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[5] Applicant has committed that Companies will conduct these activities subject to the limitations established by the Board in these Orders.

Real Estate Investment Advisory Services and Real Estate Equity Financing Services

The Board has previously determined by regulation that arranging commercial real estate equity financing is closely related to banking for purposes of section 4(c)(8) of the BHC Act. 12 C.F.R. 225.25(b)(14). Applicant proposes to conduct these activities through

1. Applicant owns Citizens Financial Group, Providence, Rhode Island, a registered bank holding company. *See The Royal Bank of Scotland Group plc*, 75 *Federal Reserve Bulletin* 41 (1989).

2. Asset data are as of March 31, 1990.

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

4. *See Bankers Trust New York Corporation*, 73 *Federal Reserve Bulletin* 138 (1987); *J.P. Morgan; Bankers Trust;* and *Canadian Imperial Bank of Commerce, The Royal Bank of Canada, and Barclays PLC*, 76 *Federal Reserve Bulletin* 158 (1990).

5. *See Banc One Corporation*, 76 *Federal Reserve Bulletin* 756 (1990) (permitting the provision of financial advisory services to financially sophisticated individuals whose net worth, including joint net worth with spouse, exceeds $1 million); *SunTrust Banks, Inc.*, 74 *Federal Reserve Bulletin* 256 (1988); *Signet Banking Corporation*, 73 *Federal Reserve Bulletin* 59 (1987).

Continental in accordance with the Board's regulations.

Applicant also proposes, through Continental, to act as an investment advisor, and in such capacity, provide investment research and advice to, and promote and assist direct investment by, investors in real property. The Board has previously determined that these activities are permissible investment advisory activities for bank holding companies under section 225.25(b)(4) of the Board's Regulation Y (12 C.F.R. 225.25(b)(4)).[6] Applicant commits that Continental will conduct these real estate investment advisory services subject to the limitations established by the Board in its regulations and orders governing these activities.[7]

Financial, Managerial and Other Factors

In order to approve these applications, the Board must find that performance of the proposed activities "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

In evaluating these factors under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the proposal on these resources. In this case, the Board notes that the stated primary capital ratio of Applicant meets the minimum capital guidelines for United States multinational bank holding companies. Further, Applicant's core capital exceeds the 1992 minimum standard adopted by the Basle Committee. In view of these and other facts of record, the Board has determined that the financial and managerial factors are consistent with approval of the applications.

Consummation of this proposal would provide greater efficiencies and added convenience to Applicant's customers by allowing the provision of a wider range of services to these customers. In addition, the Board expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services. Under the framework established in this and prior decisions, as well as the relevant Board regulations, consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing, the Board has determined to, and hereby does, approve these applications subject to all of the commitments made in these applications and to the terms and conditions set forth above and in the relevant Board Orders and regulations governing the proposed activities. The Board's determination is also subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and Orders issued thereunder.

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

By order of the Board of Governors, effective August 6, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

The Bank of New York Company, Inc. New York, New York

Order Denying Application to Acquire a Bank Holding Company

The Bank of New York Company, Inc., New York, New York ("BNY"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all of the voting shares of and, through a

6. *See Bancorp Hawaii, Inc.*, 71 *Federal Reserve Bulletin* 168 (1985); *Standard Chartered Bank PLC*, 71 *Federal Reserve Bulletin* 470 (1985).

7. In this regard, Applicant has committed that Continental will not solicit properties to be sold, list or advertise properties for sale, or hold itself out or advertise as a real estate broker. In addition, Continental will not provide real estate investment advisory services to clients when the real property is intended to be used in the trade or business of the client, and will otherwise provide these services in accordance with the provisions of section 225.25(b)(4).

wholly owned subsidiary, to merge with Northeast Bancorp, Inc., New Haven, Connecticut ("Northeast"), and thereby acquire its subsidiary bank, Union Trust Company, Stamford, Connecticut. BNY has also applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire all of the voting shares of NBI Mortgage Investment Corporation, New Haven, Connecticut, which engages in the placement and servicing of large commercial mortgage loans pursuant to section 225.25(b)(1) of the Board's Regulation Y (12 C.F.R. 225.25(b)(1)).[1]

Notice of the applications, affording interested persons an opportunity to comment, has been published (55 *Federal Register* 21,936 (1990)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.[2]

BNY controls one bank subsidiary and is the fifth largest commercial banking organization in New York, controlling deposits of $19.1 billion, representing 7.3 percent of the total deposits in commercial banks in New York.[3] Northeast controls one bank subsidiary and is the third largest commercial banking organization in Connecticut, controlling deposits of $2.7 billion, representing 9.0 percent of the total deposits in commercial banks in Connecticut. Based upon the facts of record, the Board concludes that consummation of the proposed acquisition would not result in any significantly adverse effect on the concentration of banking resources in Connecticut.

BNY and Northeast compete directly in the Metropolitan New York-New Jersey banking market.[4] BNY is the fifth largest commercial banking organization in this market, controlling deposits of $20.6 billion and representing 7.3 percent of total deposits in commercial banks in the market ("market deposits").[5] Northeast is the 26th largest commercial banking organization in the market with deposits of $1.9 billion, which represents less than one percent of market deposits. Upon consummation, BNY would become the fourth largest commercial banking organization, controlling $22.5 billion in deposits and representing 7.9 percent of market deposits. The Herfindahl-Hirschman Index ("HHI") would increase by 9 points to 658.[6] Accordingly, the Board concludes that consummation of this proposal would not have a significantly adverse effect on existing competition in this banking market.

The Board also has considered the effects of the proposal on probable future competition in the relevant banking markets. In light of the market concentration and the number of probable future entrants into those markets, the Board concludes that consummation of this proposal would not have a significantly adverse effect on probable future competition in any relevant market.

In evaluating this application, the Board is required, under the terms of section 3 of the BHC Act, to consider the financial resources of the companies and banks involved and the effect of the proposed acquisition on the future prospects of the bank and applicant organization. The Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company expansion proposals.[7]

In this regard, the Board has stated that it expects banking organizations contemplating expansion proposals to maintain strong capital levels substantially above the minimum levels specified in the Board's Capital Adequacy Guidelines[8] without significant reliance on intangibles, particularly goodwill. The Board carefully analyzes the effect of expansion proposals on the preservation or achievement of strong capital levels and has adopted a policy that there should be no significant diminution of financial strength below these levels for the purpose of effecting major expansion proposals.[9]

BNY proposes to acquire Northeast for approximately $195.6 million, excluding BNY's existing investment of $43.2 million in Northeast common stock,

1. BNY also proposes to acquire ownership of Northeast's 5.83 percent voting interest in The New York Switch Corporation, Hackensack, New Jersey, which engages in data processing and related activities pursuant to section 225.25(b)(7) of the Board's Regulation Y (12 C.F.R. 225.25(b)(7)).

2. One commenter has expressed concerns about the ability of Union Trust Company to continue to meet the credit needs of its local community if it were acquired by an out-of-state banking organization.

3. State deposit data are as of March 31, 1990.

4. This market is approximated by New York City, Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union and Warren Counties in New Jersey; and part of Fairfield County in Connecticut.

5. Market deposit data are as of June 30, 1988.

6. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (1984)), a market in which the post-merger HHI is less than 1000 is considered unconcentrated. Generally, the Justice Department will not challenge a bank merger (in the absence of other factors indicating anticompetitive effects) if the post-merger HHI is less than 1000.

7. *See The Bank of New York Company, Inc.*, 74 *Federal Reserve Bulletin* 257 (1988); *Chemical New York Corporation*, 73 *Federal Reserve Bulletin* 378 (1987); *Citicorp*, 72 *Federal Reserve Bulletin* 497 (1986); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

8. Capital Adequacy Guidelines, 50 *Federal Register* 16,057 (1985); 12 C.F.R. 225.25 Appendix B.

9. Thus, for example, the Board has generally approved proposals involving a decline in capital only where the applicants have promptly restored their capital to pre-acquisition levels following consummation of the proposals and have implemented programs of capital improvement to raise capital significantly above minimum levels. *See, e.g., Citicorp*, 72 *Federal Reserve Bulletin* 726 (1986); *Security Pacific Corporation*, 72 *Federal Reserve Bulletin* 800 (1986).

warrants and nonvoting stock.[10] BNY would pay the purchase price in cash, to be funded entirely by subordinated debt, or by issuing Northeast shareholders equal portions of BNY common stock, BNY preferred stock, and cash funded by subordinated debt.[11]

Under either financing alternative, however, the proposal is inconsistent with the Board's capital policy that an expansionary acquisition not interfere with an applicant's ability to maintain a strong capital position above the minimum levels required under the Board's guidelines, without significant reliance on intangibles. After the proposed acquisition, tangible capital ratios for the combined organization would not be substantially above the Board's minimum capital levels and would be less than the current average levels of BNY's peer group of the nation's largest regional banking organizations. BNY has also failed to present any proposal to strengthen the capital levels of the combined organization within a short period of time after consummation. In addition, the tangible common equity to tangible assets ratio would be below the applicable capital commitment required by prior Board Order.[12] Accordingly, based upon all the facts of record in this case, the Board finds that financial considerations are not consistent with approval of these applications.

Managerial resources and considerations relating to the convenience and needs of the community do not lend sufficient weight to warrant approval of these applications.

Section 3(d) of the BHC Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect and not merely by implication."[13] In order to meet the requirements of the Douglas Amendment, the Connecticut and New York statutes must authorize banking acquisitions on a reciprocal basis.[14] Although the New York Superintendent of Banks has raised concerns about whether the statutory factors required to be considered under Connecticut law for out-of-state acquisitions negate reciprocity with New York law, the Board finds it unnecessary to resolve this issue in light of the determinations described above.

On the basis of all the facts of record, the Board concludes that the banking considerations involved in this proposal present adverse factors bearing upon the financial resources and future prospects of BNY that are not outweighed by any other factors. Accordingly, it is the Board's judgment that approval of these applications would not be in the public interest and that the applications should be, and hereby are, denied.

By order of the Board of Governors, effective August 15, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Centura Banks, Inc.
Rocky Mount, North Carolina

Order Approving Formation of a Bank Holding Company, Merger of Banks, Establishment of Branches, Membership in the Federal Reserve System, and Investment in Bank Premises

Centura Banks, Inc., Rocky Mount, North Carolina ("Centura"), has applied under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("BHC

10. Under the Plan and Merger Agreement, as amended, the purchase price is 2.5 times the book value of Northeast shares on a fully-diluted basis. BNY and Northeast dispute the current book value of Northeast's stock and BNY's proposed purchase price constitutes less than one-half of the $513.2 million purchase price based on the book value reported by Northeast as of March 31, 1990. Although the purchase price is in dispute, the Board has assessed the impact on capital of the proposed transaction on the basis most favorable to the applicant by using the lower purchase price projected by BNY.

11. Because the merger agreement requires that a Northeast shareholder must elect to receive consideration other than cash, the availability of this financing alternative is uncertain.

12. The Board notes that BNY has been required to achieve, within one year of consummating its acquisition of Irving Bank Corporation, a 4.1 percent tangible common equity to assets ratio, based on the deduction of all intangibles from the calculation of this ratio and not only goodwill, under the Board's Order conditionally approving this acquisition. *The Bank of New York Company, Inc., supra* at 264.

13. Connecticut, the home state of Northeast, has recently authorized acquisitions by out-of-state bank holding companies. Connecticut Public Acts No. 90–2, effective March 19, 1990, amending C.G.S.A. § 36–552.

14. C.G.S.A. § 36–552 would permit a New York bank holding company to acquire a Connecticut bank holding company if such an acquisition could be made on similar terms under New York law. However, New York law would not authorize the acquisition of a New York bank holding company by a Connecticut bank holding company unless the laws of Connecticut permit acquisitions by New York bank holding companies on a nondiscriminatory basis. N.Y. Banking Law § 142-b (McKinney 1989) (requiring, under the facts of this application, a finding that New York bank holding companies are not subject to conditions or restrictions materially limiting their ability to make acquisitions in Connecticut if such conditions or restrictions are inapplicable to acquisitions made by Connecticut bank holding companies).

Act") to become a bank holding company by acquiring Peoples Bancorporation ("Peoples") and The Planters Corporation ("Planters"), both of Rocky Mount, North Carolina, both bank holding companies within the meaning of the BHC Act, and thereby to acquire their subsidiary banks: Planters National Bank and Trust Company, Rocky Mount, North Carolina; Peoples Bank and Trust Company, Rocky Mount, North Carolina; Peoples Bank of the Triad, Winston-Salem, North Carolina; and Mid-South Bank and Trust Company, Sanford, North Carolina.[1]

Centura also proposes to merge three of these four banking subsidiaries with and into a *de novo* banking subsidiary, Centura Bank, Rocky Mount, North Carolina, which has applied to merge with Planters National Bank and Trust Company, Peoples Bank and Trust Company, and Peoples Bank of the Triad ("Merging Banks"), pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act"). Centura Bank also seeks approval to establish the branches of Merging Banks as branches of Centura Bank and to become a member of the Federal Reserve System, pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321); and to invest in bank premises in excess of the amount of its capital stock, pursuant to section 24A of the Federal Reserve Act (12 U.S.C. § 371d).

Centura has also applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire all of the voting shares of People's nonbanking subsidiary, Watauga Savings and Loan Association, Inc., Boone, North Carolina ("Watauga"). This activity is authorized for bank holding companies under the Board's Regulation Y, 12 C.F.R. 225.25(b)(9).

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 23,136 (1990)) and has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4 of the BHC Act, in the Bank Merger Act, and in the Federal Reserve Act.

Peoples, with approximately $1.4 billion in total consolidated assets, owns three banking subsidiaries and one savings association subsidiary in North Carolina.[2] Peoples is the ninth largest commercial banking organization in North Carolina, controlling approximately $1.1 billion in total deposits, representing 2.2 percent of the total deposits in commercial banks in the state.[3] Planters, with approximately $1.2 billion in total consolidated assets, owns one banking subsidiary in North Carolina. Planters is the tenth largest commercial banking organization in North Carolina, controlling approximately $1.0 billion in total deposits, representing 2.0 percent of the total deposits in commercial banks in the state. Upon consummation of this proposal and all planned divestitures, Centura would become the seventh largest commercial banking organization in North Carolina based upon its control of total deposits of $2.1 billion, representing approximately 4.2 percent of the total deposits in commercial banks in the state. Consummation of this proposal would not have a significantly adverse effect upon the concentration of commercial banking resources in North Carolina.

Competitive Factors

Peoples and Planters compete directly in nine banking markets in North Carolina.[4] In the Roanoke Rapids market,[5] Peoples is the third largest of four commercial banking organizations, controlling approximately $59.0 million in deposits, representing 18.4 percent of total deposits in commercial banking organizations in that market ("market deposits").[6] Planters is the largest commercial banking organization in the market, controlling approximately $119.1 million in deposits, representing 37.1 percent of market deposits. Upon consummation of this proposal, Centura would become the largest commercial banking organization in the market, controlling approximately 55.6 percent of market deposits. The Roanoke Rapids banking market is considered highly concentrated. The Herfindahl–Hirschman Index ("HHI") for the market is 2851 and would increase

1. Centura, a newly formed corporation, proposes to acquire all of the outstanding voting shares of Peoples and Planters through an exchange of shares and a merger of each bank holding company with and into Centura. In connection with this transaction, Peoples and Planters have granted to each other an option to purchase up to 19.9 percent of the outstanding common stock of their respective organizations and have applied under section 3 of the BHC Act to exercise their options if any of several preconditions occur.

2. Asset data are as of June 30, 1990.

3. State deposit data are as of December 31, 1989.

4. These markets are Chatham County, Dare County, Hertford County, Pitt County, Raleigh RMA, Roanoke Rapids, Rocky Mount, Wilmington RMA, and Winston-Salem RMA.

5. The Roanoke Rapids, North Carolina banking market is approximated by the counties of Halifax and Northampton.

6. Market data are as of June 30, 1989.

by 1367 points to 4218 upon consummation of this proposal.[7]

While consummation of the proposal would result in a large increase in the HHI in the Roanoke Rapids market, certain factors mitigate the potential anticompetitive effects of this proposal. Peoples and Planters have committed to divest, on or before consummation of Centura's acquisition of these companies, three banking offices in the Roanoke Rapids market, controlling total deposits of $25.2 million, to an organization that is not currently present in that market.[8] Consequently, the number of competitors in the market would not decrease under this proposal. The acquiring organization would control approximately 7.9 percent of market deposits, and the HHI would increase by 618 points to 3469 upon consummation of the planned divestitures.

In addition to the proposed divestitures, the Board has considered the presence of thrift institutions in the Roanoke Rapids banking market in its analysis of this proposal.[9] Six thrift institutions, controlling 35.9 percent of the combined deposits of commercial banks and thrift institutions in the market, exert a particularly strong competitive influence in the Roanoke Rapids market. These thrifts are significant competitors of commercial banks in the market with regard to providing a full range of financial services including commercial loans, consumer loans, and transaction accounts.[10] Based upon the size, number, market share, and commercial lending activities of thrift institutions in the Roanoke Rapids banking market, the Board has concluded that thrift institutions exert a significant competitive influence that mitigates in part the anticompetitive effects of this proposal.[11]

Based upon all of the facts of record, including the proposed divestitures, the expected *de novo* entry of a commercial banking organization into the market, the role of thrift institutions in the market, and the fact that nine depository institutions will remain in the market following consummation of the proposal, the Board finds that consummation of this proposal is not likely to result in a significantly adverse effect on competition in the Roanoke Rapids market.

In the Rocky Mount market,[12] Peoples is the second largest of eight commercial banking organizations, controlling approximately $412.9 million in deposits, representing 23.1 percent of total deposits in commercial banking organizations in that market. Planters is the fourth largest commercial banking organization in the Rocky Mount market, controlling approximately $200.8 million in deposits, representing 11.2 percent of market deposits. Upon consummation of this proposal, Centura would become the second largest commercial banking organization in the market, controlling approximately 34.3 percent of market deposits. The Rocky Mount banking market is considered highly concentrated, with the three largest commercial banking organizations controlling 72.3 percent of market deposits. The HHI for the market is 2262 and would increase by 517 points to 2779 upon consummation of the proposal.

Although consummation of this proposal would eliminate some existing competition in the Rocky Mount banking market, the Board believes that several factors mitigate the potential anticompetitive effects of this proposal. Peoples and Planters have committed to divest, on or before consummation of Centura's acquisition of these companies, eight banking offices in the Rocky Mount market, controlling

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

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

9. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *CB&T Bancshares, Inc.*, 75 *Federal Reserve Bulletin* 381 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

10. Thrifts in the Roanoke Rapids market, on average, hold a larger portion of their assets in commercial loans, consumer loans, and transaction accounts than the average for thrifts nationally. Two of these thrift institutions have a substantial amount of their assets, 10.7 percent and 5.3 percent respectively, in non-real estate commercial loans.

11. The Board previously has indicated that it may be appropriate in light of factors in a specific market to include thrift deposits at a level greater than 50 percent when analyzing the competitive effects of a proposal. *See, e.g.*, *Fleet Financial Group, Inc.*, 74 *Federal Reserve Bulletin* 62, 64 (1988); *Hartford National Corporation*, 73 *Federal Reserve Bulletin* 720, 721 (1987).

If 75 percent of the deposits controlled by thrift institutions in the Roanoke Rapids market were included in the calculation of market concentration following the proposed divestitures, Centura would rank first among commercial banks and thrifts in the market, controlling 33.6 percent of the total market deposits of commercial banks and thrifts upon consummation of this proposal. The HHI would increase 306 points to 1885.

12. The Rocky Mount, North Carolina banking market is approximated by the Rocky Mount RMA and the remainder of the counties of Edgecombe, Nash, and Wilson.

deposits of $71.3 million, to a commercial banking organization that is a recent *de novo* entrant to that market, and currently controls less than one percent of total deposits in the market. The Board has also given substantial weight to the fact that seven banking organizations, including some of the largest commercial banking organizations in North Carolina, would remain as competitors upon consummation of this proposal. Eight thrift institutions are also present in the Rocky Mount market. Based upon the size, number, and market share of thrift institutions in the Rocky Mount banking market, the Board has concluded that thrift institutions exert a competitive influence that mitigates in part the anticompetitive effects of this proposal.[13]

In addition, characteristics of the Rocky Mount market indicate that it is attractive for entry. The Rocky Mount market's growth rate for total bank deposits substantially exceeds the comparable average of similar North Carolina banking markets and the state as a whole. The *per capita* income also exceeds that for similar North Carolina banking markets. Finally, as noted above, a commercial banking organization entered the market during the past year.

Based upon the facts of record, including the proposed divestitures, the substantial number of remaining competitors, the role of thrift institutions in the market, and the market's attractiveness for entry, the Board finds that consummation of this proposal is not likely to result in a significantly adverse effect on competition in the Rocky Mount market.

The Board has also examined the effects of this proposal in the other seven banking markets where Peoples and Planters compete. In the six markets: Chatham County, Dare County, Pitt County, Raleigh RMA, Wilmington RMA, and Winston-Salem RMA,[14] the increase in the HHI upon consummation of the proposal would not exceed the limits in the revised Department of Justice Merger Guidelines. In the Hertford County banking market,[15] if 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, the increase in the HHI upon consummation of the proposal would not exceed the revised Department of Justice Merger Guidelines. On the basis of the foregoing and other facts of record, the Board finds that consummation of Centura's proposal would not have a significantly adverse effect on existing competition in any relevant market.

Financial, Managerial, and Convenience and Needs Factors

In evaluating these applications, the Board has considered the financial and managerial resources of Centura, Peoples, Planters, and their bank subsidiaries, and the effect of the proposed acquisition on the resources and future prospects of these companies. As noted above, Centura proposes to accomplish the merger through an exchange of shares with both Peoples and Planters, and no debt would be incurred by any organization in the transaction. Following consummation of the proposal, Centura and its bank subsidiaries will have capital ratios above the minimum levels specified in the Board's Capital Adequacy Guidelines. Based upon these and all of the other facts of record, the Board concludes that the financial and managerial considerations, and considerations relating to the effects of the proposed transaction on the resources and future prospects of these companies, are consistent with approval. Considerations relating to the convenience and needs of the communities to be served by Centura's subsidiary banks also are consistent with approval.

Acquisition of Savings Association

Centura has also applied to acquire Peoples' nonbanking subsidiary, Watauga Savings and Loan Association, and to continue to operate Watauga as a savings association, pursuant to section 4(c)(8) of the BHC Act.[16] As noted, the operation of a savings association is an activity that the Board previously has determined to be closely related to banking for purposes of section 4(c)(8).[17] Further, Centura has committed to limit Watauga's activities to those that are permitted for bank holding companies under section 4(c)(8) of the BHC Act.

13. If 50 percent of the deposits held by thrift institutions in the Rocky Mount market were included in the calculation of market concentration following the proposed divestitures, Centura would rank second among banks and thrifts in the market, controlling 26.7 percent of the total market deposits in commercial banks and thrifts upon consummation of this proposal. The HHI would increase by 215 points to 2007.

14. The Chatham, North Carolina banking market is approximated by Chatham County; the Dare, North Carolina banking market is approximated by Dare County; the Pitt, North Carolina banking market is approximated by Pitt County; the Raleigh RMA, North Carolina banking market is approximated by the Raleigh, North Carolina RMA; the Wilmington RMA, North Carolina banking market is approximated by New Hanover County; and the Winston-Salem RMA, North Carolina banking market consists of Forsythe County, and portions of Stokes, Davie, and Davidson Counties.

15. The Hertford, North Carolina banking market is approximated by Hertford County.

16. Peoples acquired all of the outstanding stock of Watauga earlier this year pursuant to Board approval. *Peoples Bancorporation*, 76 *Federal Reserve Bulletin* 254 (1990). Centura has committed to comply with the commitments made by Peoples in connection with that application.

17. 12 C.F.R. 225.25(b)(9).

Peoples and Planters do not compete directly in any banking market where Watauga is present. In light of this and other facts of record, consummation of this proposal would not significantly affect competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, unfair competition, conflicts of interest, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of these applications.

Related Applications

Centura Bank has applied under the Bank Merger Act to effect the merger of Planters National Bank and Trust Company, Peoples Bank and Trust Company, and Peoples Bank of the Triad, with and into Centura Bank, a *de novo* bank.[18] The Board has considered the factors set forth in the Bank Merger Act (12 U.S.C. § 1828(c)(5)), and finds those factors to be consistent with approval.

Centura Bank has also applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*) and section 208.4 of the Board's Regulation H (12 C.F.R. 208.4) to become a member of the Federal Reserve System upon consummation of this proposal. Centura Bank additionally seeks approval under section 9 of the Federal Reserve Act and section 208.9 of the Board's Regulation H (12 C.F.R. 208.9) to establish branches at the existing sites of the branches of Merging Banks. The Board has considered the factors it is required to consider when approving applications for membership pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 322) and section 6 of the Federal Deposit Insurance Act (12 U.S.C. § 1816), and finds those factors to be consistent with approval. Centura Bank appears to meet all the criteria in the Federal Reserve Act for admission to membership, including capital requirements and considerations related to management character and quality. Further, Centura Bank meets all the criteria in the Federal Reserve Act to establish branches. Accordingly, Centura Bank's applications to become a member of the Federal Reserve System and to establish branches at the existing sites of the branches of Merging Banks are approved.

18. In connection with this merger, Centura Bank proposes to transfer the trust and fiduciary operations of Peoples Bank and Trust Company and Planters National Bank and Trust Company to Centura Bank.

Centura Bank also requests permission, under section 24A of the Federal Reserve Act, to invest in bank premises in excess of the amount of its capital stock. The investment will be used to acquire the existing premises of Merging Banks. The Board concludes that Centura Bank's proposed investment in bank premises in excess of the amount of its capital stock will support Centura Bank's acquisition of the Merging Banks and is consistent with approval.

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

By order of the Board of Governors, effective August 30, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Norwest Corporation
Minneapolis, Minnesota

Norwest Holding Company
Minneapolis, Minnesota

Order Approving the Acquisition of a Savings Association and Formation of a Bank Holding Company

Norwest Corporation, Minneapolis, Minnesota ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire First Minnesota Savings Bank, F.S.B., Minneapolis, Minnesota ("First Minnesota"), a savings association, pursuant to section 225.25(b)(9) of the Board's Regulation Y (12 C.F.R. 225.25(b)(9)). In connection with this acquisition, Norwest and Norwest Holding Company, Minneapolis, Minnesota, a newly-formed subsidiary of Norwest, have applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to convert First Minnesota into a national bank. The bank will then merge into Norwest Bank Minnesota, N.A., Minneapolis, Minnesota ("NBM"), which is currently wholly owned by Norwest.[1] In connection with these transactions, Norwest has also requested the Board's approval under section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 101 Stat. 183, 199 (1989)) ("FIRREA"), to merge First Minnesota, following its conversion into a national bank, into NBM.[2]

Norwest has also applied for the Board's approval to acquire the following subsidiaries of First Minnesota: Preferred Mortgage Corporation, St. Paul, Minnesota, and thereby engage in mortgage banking activities pursuant to 12 C.F.R. 225.25(b)(1); Regency Insurance Agency, Inc., St. Paul, Minnesota, and thereby engage in general insurance agency activities pursuant to 12 C.F.R. 225.25(b)(8)(vii); Warranty Title Inc., North St. Paul, Minnesota, and thereby engage in title insurance agency activities pursuant to 12 C.F.R. 225.25(b)(8)(vii); and Warranty Financial Corporation, Burnsville, Minnesota, and thereby engage in full-service brokerage activities, and the sale of variable and fixed-rate annuities.

Notice of the applications, affording interested persons an opportunity to submit comments, has been duly published (55 *Federal Register* 20,634 (1990)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4 of the BHC Act.[3]

The Board has determined that the operation of a savings association is closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(9). In making this determination, the Board required that savings associations acquired by bank holding companies conform their direct and indirect activities to those activities permissible for bank holding companies under section 4 of the BHC Act. Norwest has committed to conform the direct and indirect activities of First Minnesota to the requirements of section 4(c)(8) of the BHC Act and Regulation Y upon consummation.[4]

In order to approve applications under section 4(c)(8) of the BHC Act, the Board is required to determine that the performance of the proposed activities by Norwest "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Effects on Competition

Norwest, with total consolidated assets of $26.8 billion, operates 34 banking subsidiaries located in Minnesota, Wisconsin, Illinois, Indiana, Arizona, Iowa, Montana, Nebraska, North Dakota, and South Dakota.[5] Norwest is the second largest banking organization in Minnesota, controlling approximately $7.8 billion in commercial bank deposits in Minnesota, representing 19.7 percent of the total deposits in commercial banking organizations in the state. First Minnesota, with total consolidated assets of $3.0 bil-

1. Under the proposal, Norwest Holding Company will acquire 100 percent of the voting shares of First Minnesota following First Minnesota's conversion from a mutual savings bank to stock form. First Minnesota will then convert into a national bank, which will immediately merge into NBM. Following the merger, Norwest Holding Company will own 10 percent of the voting shares of NBM. Norwest will own directly the remaining 90 percent of the voting shares of NBM.

2. Section 5(d)(3) of the FDI Act (12 U.S.C. § 1815(d)(3)) ("the Oakar Amendment") permits the merger of a savings association owned by a bank holding company into a subsidiary bank owned by the same bank holding company. In this case, the merger of First Minnesota, which is a savings association, into NBM will be facilitated by the intermediate conversion of First Minnesota into an interim bank. The interim bank is chartered solely to accommodate the requirements of the appropriate merger statutes and will cease to exist immediately upon consummation of the underlying transaction without ever having conducted any business. Under these circumstances, the Board believes the structure of the proposal does not appear to cause an otherwise qualifying transaction to fall outside of the bounds of the Oakar Amendment. This interpretation is consistent with the stated purposes of the Oakar Amendment, namely, to provide an incentive for bank holding companies to provide needed private capital to the thrift industry, and to permit bank holding companies to take advantage of the cost efficiencies of consolidating the operations of the thrift with an existing bank subsidiary. *See, e.g., Marshall & Ilsley Corporation*, 76 *Federal Reserve Bulletin* 556 (1990).

3. The Board has received comments regarding the applications from the Independent Bankers of Minnesota, Bloomington, Minnesota; District 2 Community Council, St. Paul, Minnesota; First National Bank, Waseca, Minnesota; and First State Bank of Waseca, Waseca, Minnesota.

4. First Minnesota currently owns a Minnesota FSL Corporation, which makes investments in real estate that are not generally permissible for bank holding companies. Norwest has committed that, following consummation, this subsidiary will not undertake any new real estate projects or investments and will divest all impermissible real estate within two years of consummation.

5. Asset data are as of June 30, 1990. State banking data are as of June 30, 1989.

lion, is the second largest savings association in Minnesota, controlling approximately $2.3 billion in deposits. Upon consummation of the proposed acquisition, Norwest would remain the second largest commercial banking organization in Minnesota, controlling approximately $10.1 billion in deposits in Minnesota, representing 25.5 percent of the total deposits in commercial banking organizations in the state.

Norwest and First Minnesota compete directly in eight banking markets.[6] In the Minneapolis-St. Paul banking market,[7] Norwest is the second largest depository organization, controlling approximately $5.9 billion in deposits, representing 21.6 percent of the deposits held by banks and savings associations operating in the market ("market deposits").[8] First Minnesota is the fifth largest depository organization, controlling approximately $1.9 billion in deposits, representing 3.6 percent of market deposits. Upon consummation of this proposal, Norwest would remain the second largest depository organization in the market, controlling approximately $7.8 billion in deposits, representing 27.7 percent of market deposits. The Minneapolis-St. Paul banking market is highly concentrated.[9] Upon consummation of the proposal, the Herfindahl–Hirschman Index ("HHI") would increase by 200 points to 2012. Following consummation of this transaction, 92 other commercial banks and 13 savings associations would continue to compete in this market.[10]

The Minneapolis-St. Paul banking market is dominated by two banking organizations that together control approximately 56.9 percent of market deposits. Only one other depository organization operating in the market has attained a market share as high as 6 percent of market deposits. The Board is concerned that, in the context of this market structure, the acquisition of a series of depository organizations with relatively small market shares could, on a cumulative basis, lead to significant anticompetitive effects.

In reviewing this case, the Board has considered as a significant factor First Minnesota's financial condition and its ability to function as a viable competitor in the market. First Minnesota has suffered financial difficulties in recent years resulting in a negative net worth at this time. As part of this proposal, Norwest will inject sufficient capital into First Minnesota and NBM to maintain capital levels above the Board's minimum capital adequacy guidelines requirement. Thus, the proposal has the significant public benefit of resolving the capital deficiency of an impaired institution in a private transaction without cost to the federal deposit insurance funds. In light of the facts of this case, the Board believes that the public benefits of this proposal outweigh the adverse competitive effects that may result from the proposal in the Minneapolis-St. Paul market.[11]

The Board has also examined the effects of the proposal in the other seven banking markets in which Norwest and First Minnesota compete. None of these markets is considered to be highly concentrated, and none will be highly concentrated following consummation of the proposed transaction. In addition, numerous banks and savings associations would remain in all of the markets following consummation of the proposal.[12] Accordingly, the Board concludes that

6. Norwest and First Minnesota compete in the Minneapolis-St. Paul, St. Cloud, Rochester, Duluth, Marshall, Owatonna, and Red Wing, Minnesota; and Sioux Falls, South Dakota, banking markets.

7. The Minneapolis-St. Paul banking market is approximated by the Anoka, Hennepin, Ramsey, Washington, Carver, Scott and Dakota Counties; Lent, Chisago Lake, Shafer, Wyoming and Franconia Townships in Chisago County; Blue Hill, Baldwin, Orrock, Livonia and Big Lake Townships and the City of Elk River in Sherburne County; Monticello, Otsego, Buffalo, Frankfort, Rockford and Franklin Townships in Wright County; Lanesburgh Township in Le Sueur County, Minnesota; and the Town of Hudson in St. Croix County, Wisconsin.

8. Market share data are as of June 30, 1989, for the Minneapolis-St. Paul banking market, and as of June 30, 1988, for the other banking markets. The pre-consummation market share data are based on calculations in which the deposits of First Minnesota and all other thrifts are included at 50 percent. Upon consummation of the proposal, First Minnesota would be merged with a commercial banking organization, thus, on a *pro forma* basis, the deposits of First Minnesota are included at 100 percent, while the deposits of other savings associations continue to be included at 50 percent.

9. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 2, 1984), any market in which the post-merger HHI is over 1800 is considered highly concentrated, and the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points unless other factors indicate that the merger will not substantially lessen competition. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effects of limited-purpose lenders and other non-depository financial entities.

10. The Board previously has indicated that savings associations have become, or have the potential to become, major competitors of commercial banks. *Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *CB&T Bancshares, Inc.*, 75 *Federal Reserve Bulletin* 381 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

11. The Independent Bankers of Minnesota has protested the application on the grounds that the proposal would have adverse effects on competition in the state of Minnesota and in the relevant banking markets, especially the Minneapolis-St. Paul banking market. For the reasons explained in this order, the Board has determined that these comments do not warrant denial of the application. In addition, the protest questions the bidding process that resulted in First Minnesota's agreement to be acquired by Norwest. These commenters have not provided any evidence that indicates improprieties in the bidding process and the record does not otherwise support a denial of this application on this ground.

12. The following data, with thrifts weighted as discussed above, indicate the changes in the market share and HHI upon consummation of the proposal:

consummation of the proposed acquisition would not have a significantly adverse effect on competition in any banking market.

Comments Under the Community Reinvestment Act

In connection with this application, the Board has received comments regarding the performance of Norwest and First Minnesota under the Community Reinvestment Act ("CRA"). The Board believes that the terms and the purposes of the CRA and the BHC Act indicate that the Board must consider CRA performance in connection with its review of a section 4 application by a bank holding company to acquire a savings association. As a depository institution, a savings association is subject to the CRA, and the acquisition of a savings association is one of the types of transactions that represents the acquisition of a deposit facility for purposes of the CRA. Under the CRA, the appropriate federal financial supervisory agency must consider CRA performance in reviewing any application for a deposit facility by a financial institution. The Board is the appropriate federal supervisory agency for bank holding companies, and the Board believes, therefore, that it must review CRA performance in considering applications by bank holding companies to expand their deposit-taking ability through the acquisition of a savings association.[13] In addition, the CRA performance of a savings association and the ability of the bank holding company to assure that the savings association can meet its CRA responsibilities following consummation of the acquisition are relevant to the Board's analysis under section 4(c)(8) of the public benefits of the bank holding company's proposal to acquire the savings association.

Accordingly, in considering this application, the Board has reviewed the CRA performance record of Norwest and First Minnesota, as well as the comments from the District 2 Community Council ("Council") and Norwest's response to those comments, in light of the CRA, the Board's regulations, and the jointly issued Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[14] The Agency CRA Statement provides guidance regarding the types of policies and procedures that the supervisory agencies believe financial institutions should have in place in order to fulfill their responsibilities under the CRA on an ongoing basis, and the procedures that the supervisory agencies will use during the application process to review an institution's CRA compliance and performance.

Initially, the Board notes that all of Norwest's subsidiary banks have received satisfactory ratings from their primary regulators in the most recent examinations of their CRA performance. In addition, Norwest has in place the types of programs outlined in the Agency CRA Statement as essential to an effective CRA program. For example, a review of the CRA program at NBM, Norwest's lead bank, indicates that NBM maintains a dialogue with community organizations, a call program for small businesses and real estate brokers, strong participation in governmentally-insured and guaranteed loan programs, and support for housing rehabilitation projects in the downtown area as well as in the suburbs.

In addition, Norwest has taken steps to address the concerns raised by the Council.[15] Norwest has designated a representative of NBM who is engaged in discussions with the Council. Norwest also has indicated that it does not intend to close the Clarence

In the Sioux Falls banking market, Norwest would control 16.8 percent of market deposits. The HHI would increase by 63 points to 814.

In the St. Cloud banking market, Norwest would control 12.1 percent of market deposits. The HHI would increase by 22 points to 731.

In the Rochester banking market, Norwest would control 19.6 percent of market deposits. The HHI would increase by 45 points to 967.

In the Duluth banking market, Norwest would control 20.7 percent of market deposits. The HHI would increase by 50 points to 1529.

In the Marshall banking market, Norwest would control 30.9 percent of market deposits. The HHI would increase by 290 points to 1412.

In the Owatonna banking market, Norwest would control 30.1 percent of market deposits. The HHI would increase by 274 points to 1508.

In the Red Wing banking market, Norwest would control 18.6 percent of market deposits. The HHI would increase by 130 points to 1244.

13. The Board has previously determined that the CRA by its terms does not apply to applications by bank holding companies to acquire nonbanking companies under section 4(c)(8) of the BHC Act. *The Mitsui Bank, Ltd.*, 76 *Federal Reserve Bulletin* 381 (1990). The Board has also recognized, however, that the provisions of the CRA are applicable to savings associations and, in analyzing protests received in several previous applications involving the acquisition of savings associations, the Board has considered the CRA performance of the acquiring bank holding company. *See Citicorp (First Federal Savings and Loan)*, 70 *Federal Reserve Bulletin* 149, 155 (1984); *Citicorp (New Biscayne Federal Savings and Loan)*, 70 *Federal Reserve Bulletin* 157, 161 (1984); and *Citicorp (Fidelity Federal Savings and Loan)*, 68 *Federal Reserve Bulletin* 656, 667 (1982). In this regard, the Board notes that, unlike all other companies that may be acquired by bank holding companies under section 4(c)(8) of the BHC Act, savings associations are insured depository institutions, as that term is defined in the CRA, and the acquisition of savings associations are subject to review under the express terms of the CRA.

14. 54 *Federal Register* 13,742 (1989).

15. The Council requests that the Board impose two conditions in approving the proposed acquisition. The first proposed condition is that Norwest work with the Council in developing financial programs or projects which meet the housing and economic development needs of the northeast St. Paul area. The second proposed condition is that First Minnesota's Clarence Street branch in St. Paul remain open after consummation of the proposal.

Street branch after consummation of the proposal. Norwest has stated that, under its existing corporate policy for branch closings, Norwest will provide advance notice to the community, including community groups and civic leaders, prior to any decision to close the Clarence Street branch; consider the impact of such action on the community; and take steps to help mitigate any adverse effects.

For the foregoing reasons, and based upon the overall CRA record of Norwest and its subsidiary banks, and other facts of record, the Board concludes that the record of performance under the CRA of Norwest and its subsidiary banks, is consistent with approval of Norwest's acquisition of First Minnesota.[16]

Other Nonbanking Activities

Norwest also has applied to acquire subsidiaries of First Minnesota engaged in mortgage banking; general insurance agency activities; title insurance agency activities; full-service brokerage activities; and the sale of variable and fixed-rate annuities. As noted above, the Board has previously determined that mortgage banking activities are permissible for bank holding companies under the Board's Regulation Y.[17]

The Board also has previously determined that Norwest may engage in general insurance agency activities, including the sale of title insurance, pursuant to section 4(c)(8)(G) of the BHC Act ("exemption G"). Title VI of the Garn–St Germain Depository Institutions Act of 1982 ("Garn Act") amended section 4(c)(8) of the BHC Act to provide that insurance agency, brokerage and underwriting activities are not "closely related to banking" and thus are not permissible activities for bank holding companies, unless the activities are included within one of seven specific exemptions (A through G) contained in section 4(c)(8). Norwest is authorized to engage in insurance agency activities pursuant to exemption G, which authorizes those bank holding companies that engaged in insurance agency activities prior to 1971 with prior Board approval, to engage, or control a company engaged in, insurance agency activities.[18] As a qualified bank holding company under exemption G, Norwest may engage in general insurance agency activities without restriction as to the location or type of insurance sold.[19] Accordingly, Norwest may acquire Regency Insurance Agency, Inc., and Warranty Title Inc., and thereby engage in general insurance agency and title insurance agency activities.

Norwest has applied to acquire Warranty Financial Corporation and thereby engage in full-service brokerage activities. The Board has previously determined by order that full-service brokerage activities are permissible for bank holding companies under section 4(c)(8) of the BHC Act.[20] The Board has also previously approved the conduct of full-service brokerage activities by Norwest through Norwest's wholly owned subsidiary, Norwest Investment Services, Inc., Minneapolis, Minnesota ("NISI").[21] NISI will directly acquire Warranty Financial Corporation, the subsidiary of First Minnesota engaged in full-service brokerage activities, and will conduct these activities in accordance with the requirements in the Board's previous orders governing these activities.

Norwest also has applied to act through NISI as agent in the sale of variable and fixed-rate annuities. The Board has not previously approved a proposal by a bank holding company to act as agent in the sale of annuities. In order to approve Norwest's proposal, the Board is required to determine that the proposed activity is "so closely related to banking as to be a proper incident thereto." 12 U.S.C. § 1843(c)(8). The Board may find that an activity is closely related to banking if banks generally have in fact provided the proposed activity.[22] Norwest argues that the sale of annuities is closely related to banking either because banks engage in this activity or because the activity is an insurance agency activity that Norwest is permitted to conduct pursuant to its exemption G grandfather rights.

The Board notes that the OCC has authorized national banks to act as agent in the sale of both variable and fixed-rate annuities.[23] Accordingly, the Board finds that Norwest's proposal to broker annuities is

16. The Board has also received comments on this application from the First National Bank and the First State Bank of Waseca, which are two banks that compete with First Minnesota in Waseca, Minnesota. These competitors have stated that they will object to Norwest's establishment of a branch in Waseca under a provision of Minnesota law that prohibits a bank from establishing a branch office in a community of 10,000 or less, unless all banks having a principal office in that community have consented in writing. In response to these protests, Norwest has committed not to maintain First Minnesota's branch in Waseca if to do so would be inconsistent with Minnesota law.

17. 12 C.F.R. 225.25(b)(1).

18. In 1959, Norwest received Board approval to retain its general insurance agency subsidiaries. *Northwest Bancorporation*, 45 *Federal Reserve Bulletin* 963 (1959).

19. *See Norwest Corporation*, 70 *Federal Reserve Bulletin* 470 (1984).

20. *Bank of New England Corporation*, 74 *Federal Reserve Bulletin* 700 (1988); *PNC Financial Corp*, 75 *Federal Reserve Bulletin* 396 (1989).

21. *Norwest Corporation*, 76 *Federal Reserve Bulletin* 79 (1990).

22. *National Courier Ass'n v. Board of Governors*, 516 F.2d 1229, 1337 (D.C. Cir. 1975).

23. Interpretive Letter No. 331, April 4, 1985, *reprinted in* [1985–1987 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,501; OCC Interpretive Letter No. 499 (February 12, 1990), *reprinted in* [1989–1990] Fed. Banking L. Rep. (CCH) ¶ 83,090.

closely related to banking under section 4(c)(8) of the BHC Act. The Board believes that it is not necessary to reach the question of whether the sale of annuities is an insurance agency activity for purposes of the Garn Act, because, as noted above, if the sale of annuities is deemed to be an insurance agency activity for purposes of the Garn Act, Norwest is permitted to act as agent in the sale of any type of insurance pursuant to exemption G. Thus, Norwest would be permitted to sell annuities under exemption G.

The markets for the nonbanking activities in which both Norwest and First Minnesota compete are served by numerous competitors, and neither Norwest nor First Minnesota has any significant market share. Accordingly, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition in the provision of these services in any relevant market. The record does not indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, based upon considerations of all relevant facts, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of Norwest's acquisition of First Minnesota. Based on the record and for the reasons discussed above, the Board also determines that the financial, managerial, competitive, and convenience and needs factors that the Board must review under section 3 of the BHC Act are consistent with approval of this proposal. Accordingly, based on all the facts of record and the commitments made by Norwest and Norwest Holding Company, the Board has determined that the applications under sections 3 and 4 of the BHC Act should be, and hereby are, approved.

In considering Norwest's request for approval of the merger of First Minnesota into NBM pursuant to section 5(d)(3) of the FDI Act, the record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Norwest is $21.4 billion, an amount which is not less than 200 percent of the total assets of First Minnesota, which currently has $3.0 billion in total assets;

(2) Norwest and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) First Minnesota had tangible capital of less than 5 percent during the quarter preceding its acquisition by Norwest;

(5) The transaction, which involves the merger of First Minnesota, a savings association located in Minnesota, with a bank subsidiary of Norwest, a bank holding company whose banking subsidiaries' operations are principally conducted in Minnesota, would comply with the requirements of section 3(d) of the BHC Act if First Minnesota were a state bank which Norwest was applying to acquire.

Based on the foregoing and all of the other facts of record, the Board has determined that the proposed application under section 5(d)(3) of the FDI Act should be, and hereby is, approved. This application is subject to Norwest obtaining the required approvals of the appropriate federal and state banking agencies for the proposed merger.

The transactions for which applications have been filed pursuant to section 3 of the BHC Act shall not be consummated before the thirtieth calendar day following the effective date of this Order, and all of the transactions shall be consummated 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 Minneapolis, acting pursuant to delegated authority. The determinations as to the nonbanking activities are subject to all of the conditions contained in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective August 29, 1990.

Voting for this action: Chairman Greenspan and Governors Kelley and Mullins. Voting against this action: Governors Angell and LaWare. Absent and not voting: Governor Seger.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Dissenting Statement of Governors Angell and LaWare

We believe that the adverse competitive effects of the proposed acquisition in this case are not outweighed by the public benefits of the proposal, and therefore, dissent from the Board's action in this case. The Minneapolis-St. Paul banking market is a highly concentrated market dominated by Norwest and another banking organization which together control over 56 percent of market deposits. Norwest in this case controls approximately 22 percent of market deposits and is nearly four times larger than the next largest depository institution in the market. In the context of the structure of the Minneapolis-St. Paul banking market, and analysis of market concentration based entirely on the Herfindahl–Hirschman Index does not, in our judgment, accurately reflect the anticompetitive effects of the acquisition of a market competitor by one of the two largest depository institutions.

This type of acquisition significantly increases market concentration by increasing the market dominance of Norwest relative to the smaller depository institutions in the market. It also preempts possibilities for the development of other competitors in the market by eliminating available acquisitions that could potentially enhance the competitiveness of other organizations in the market or that could attract out-of-market competitors. As a result, we believe that this type of acquisition requires close scrutiny and should be permitted only if the public benefits of the acquisition are significant.

The acquisition proposed here does not bear close scrutiny and would have a direct and adverse effect on competition in the Minneapolis-St. Paul banking market. The proposed acquisition would increase the concentration ratios for the market significantly and would reverse a substantial amount of the deconcentration that has occurred in the market since 1980. This increase in the concentration levels in the market would not occur if one of the other bidders for First Minnesota were permitted to make the proposed acquisition. An alternative that would promote banking competition in the market would be preferable.

Moreover, in our opinion the public benefits that may arise from this proposal do not outweigh the significant anti-competitive effects of this acquisition. First Minnesota is not in conservatorship or receivership and is seeking an acquirer in a private bidding process. Several potential acquirers submitted bids to acquire First Minnesota, and none of those bids would have required the expenditure of public funds. Accordingly, the benefits of permitting Norwest to acquire First Minnesota are, in our view, not compelling. On the other hand, the public benefits likely to result from the sale of First Minnesota to an out-of-market bidder or even to an in-market bidder other than one of the two largest depository institutions in the market would have been substantial.

For these reasons, we would have denied this proposal. We do, however, agree with the other members of the Board that further acquisitions of competitors in the Minneapolis-St. Paul banking market by either of the two largest banking organizations require close scrutiny.

August 29, 1990

ORDERS ISSUED UNDER THE BANK MERGER ACT

Crestar Bank
Richmond, Virginia

Order Approving the Merger of Banks and the Establishment of a Branch

Crestar Bank, Richmond, Virginia, a state member bank, has applied for the Board's approval pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") to merge with National Bank of Northern Virginia, Sterling, Virginia ("Bank"), and thereby to establish a branch pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321).

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the applications and all the comments received in light of the factors set forth in the Bank Merger Act (12 U.S.C. § 1828(c)(5)).

Crestar Bank, with deposits of $7.6 billion, and Bank, with deposits of $19.0 million, are both subsidiaries of Crestar Financial Corporation, Richmond, Virginia ("CFC").[1] Upon consummation of the merger, the single banking office of Bank will be operated as a branch of Crestar Bank. Because CFC controls both Crestar Bank and Bank, consummation of this proposal would not have a significantly adverse effect on the concentration of resources or competition in Virginia or in any relevant market. The financial and managerial resources of Crestar Bank and Bank are consistent with approval.

In considering the convenience and needs of the communities to be served, the Board has taken into account the record of Crestar Bank under the Community Reinvestment Act ("CRA") (12 U.S.C. § 2901

1. All banking data are as of December 31, 1989.

et seq.). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institutions.[2]

In this regard, the Board has received comments filed by the Women's Center for Social Change ("Protestant") critical of the CRA performance of Crestar.[3] Protestant contends that Crestar Bank discriminated against minorities and low-income communities in Lynchburg, Virginia, as a participant in a HUD-sponsored community block grant program administered by the City of Lynchburg. Protestant also contends that the minority and low-income community in Lynchburg was not informed of the availability of the community block grant funds.[4]

The Board has carefully reviewed the CRA performance of Crestar Bank, as well as Protestant's comments and Crestar Bank's response to those comments, in light of the CRA, the Board's regulations and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act (March 21, 1989) ("Agency CRA Statement"). The Agency CRA Statement provides guidance regarding the types of policies and procedures that the supervisory agencies believe financial institutions should have in place in order to fulfill their responsibilities under the CRA on an ongoing basis and the procedures that the supervisory agencies will use during the application process to review an institution's CRA compliance and performance.

Initially, the Board notes that Crestar Bank has received satisfactory ratings in the most recent report of examination of its CRA performance. In addition, CFC has developed a corporate CRA program that contains the elements of an effective CRA policy as outlined in the Agency CRA Statement and has implemented this program at Crestar Bank. CFC has developed a comprehensive program that establishes standards that its subsidiary banks must meet in ascertaining community credit needs, responding to those needs through the development and delivery of products and services, and monitoring and evaluating the bank's success in meeting those needs and its responsibilities under the CRA. CFC has established four regional CRA plans covering all of its appointed CRA officers at the subsidiary bank level, the regional level, and the corporate level responsible for developing, implementing, and overseeing the company's CRA efforts. To ensure that these regional plans address community credit needs, CFC's regional CRA officers are required to meet with community leaders, government officials, community groups, and other individuals within their region to obtain information on CFC's performance. In addition, the banks hold annual public meetings to assist in identifying credit needs of their regions.

The record indicates that Crestar Bank uses a variety of media to promote its services throughout its community, and special effort is made to place advertising to reach minorities and non-English speaking persons. CFC, through its banks and mortgage company, is an active participant in VA, FHA and Virginia Housing Development Authority mortgage programs; CFC originated almost 20 percent of the total of such loans made in most of the Metropolitan Statistical Areas within the banks' delineated communities. Crestar Bank also has participated in various housing programs in Lynchburg and the surrounding communities in western Virginia that provide funds to low- and moderate-income areas. As part of its CRA program, Crestar Bank provides student loans through various state and local programs; in 1989, Crestar Bank extended 44,000 loans totalling approximately $99.0 million. Moreover, Crestar Bank also provides a low-cost basic checking product and government check cashing services.

The Board notes that Protestant's complaints concern a community block grant program administered by the City of Lynchburg, in which several banks, including Crestar Bank, are participants. The program involves two loan pools; the loan pool that is the subject of this complaint is a loan pool targeted for commercial lending. The participating banks use their own funds and credit standards to make loans under the program; the community block grant funds are used to reduce the interest rate. Crestar Bank's participation in the program involved a small number of commercial loans and a review of these loans does not provide any evidence that Crestar Bank's actions were inconsistent with the loan programs or discriminatory. Moreover, a recent CRA examination of Crestar Bank

2. 12 U.S.C. § 2903.

3. Protestant also filed a complaint with the U.S. Department of Housing and Urban Development ("HUD") alleging that the City of Lynchburg and participating financial institutions, including Crestar Bank, have engaged in illegal discrimination in administering a HUD-sponsored community block grant program. HUD is currently investigating this matter and has requested and received information from Crestar Bank concerning Crestar Bank's participation in the community block grant program administered by the City of Lynchburg.

Protestant also contends that Lynchburg officials had relationships with CFC and Crestar Bank that resulted in conflicts of interest. A review of these relationships indicates that the individuals in question did not receive any block grant funds from Crestar Bank and were not involved in credit making decisions involving these funds.

4. The Director of Protestant also alleges that she personally attempted to apply for a loan under the program and was misinformed regarding the availability of funds under the program because she is a minority.

provided no evidence that the bank engaged in illegal discriminatory practices in its other lending activities.

For the foregoing reasons, and based upon the overall CRA record of Crestar Bank, as well as other facts of record, the Board concludes that convenience and needs considerations are consistent with approval of this application.

Crestar Bank has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*), to establish a branch at the present site of Bank. The Board has considered the factors it is required to consider when approving applications for establishing branches pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 322) and finds those factors to be consistent with approval.

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

By order of the Board of Governors, effective August 13, 1990.

Voting for this action: Chairman Greenspan and Governors Seger, Angell, Kelley, LaWare, and Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

ORDERS ISSUED UNDER FEDERAL RESERVE ACT

Orders Issued Under Section 25(a) of the Federal Reserve Act

Bankers International Corporation
New York, New York

Order Approving Application to Underwrite Life Insurance in Australia

August 1, 1990

Mr. John L. Murphy
Director
Bankers International Corporation
280 Park Avenue
New York, New York 10015

Dear Mr. Murphy:

As requested in your letter of June 13, 1989, the Board of Governors grants consent for Bankers International Corporation ("BIC"), New York, New York, to invest, indirectly through BT Australia Limited ("BTAL"), Sydney, Australia, approximately $1.5 million in exchange for all of the shares of Bankers Trust Life Limited ("BT Life"), Sydney, Australia, a proposed *de novo* company that will underwrite certain life insurance products.

In taking this action, the Board noted that the general activity of underwriting life insurance in Australia has been previously determined by the Board to be usual in connection with the business of banking and other financial operations in Australia; the proposed investment in BT Life is small and projected growth is moderate. In approving this application, the Board also relied on the commitments by Bankers Trust New York Corporation ("BTNY"), New York, New York, that it will indemnify BTAL for the investment in BT Life should BTAL suffer losses resulting in loss of capital from the operations of BT Life. BTNY will also indemnify any losses suffered by Bankers Trust Company and its subsidiaries, including BTAL, on any loans to or additional investments in BT Life. BTNY also committed that any transactions by Bankers Trust Company or any of its subsidiaries with BT Life will be subject to the provisions of sections 23A and 23B of the Federal Reserve Act.

The Federal Reserve Bank of New York should be notified prior to any expansion of BT Life's life insurance product line.

Very truly yours,

Jennifer J. Johnson
Associate Secretary of the Board

cc: Vice President Rutledge, Federal Reserve Bank of New York

Morgan Guaranty International Finance Corporation
New York, New York

Order Approving Application to Engage in Certain Futures Commission Merchant Activities in Germany

June 29, 1990

Mr. Edmund P. Rogers, III
Senior Vice President and Resident Counsel
J.P. Morgan & Co. Inc.
60 Wall Street
New York, New York 10260

Dear Mr. Rogers:

As requested in your letter of March 23, 1990, the Board of Governors grants consent for Morgan Guaranty International Finance Corporation ("MGIFC"), New York, New York, to retain its investment in its indirect subsidiary, J.P. Morgan GmbH ("Morgan GmbH"), Frankfurt, Germany, after Morgan GmbH acts as a futures commission merchant on the DTB Deutsche Terminborse GmbH (the "DTB") in the execution and clearance of trades in certain futures and options contracts for unaffiliated persons. These contracts include, in addition to those already approved by the Board, a futures contract based on the Deutsche Aktienindex stock index, an index based on prices of 30 German stocks, and a futures contract on German government bonds. Morgan GmbH will also engage in the execution and clearance, for nonaffiliated persons, of stock options contracts on fourteen German blue chip stocks. In taking this action, the Board relied on MGIFC's commitment that Morgan GmbH will execute and clear futures contracts and options on futures contracts in accordance with the limitations specified in section 225.25(b)(18) of Regulation Y.

The Board has also granted delegated authority to the Federal Reserve Bank of New York to approve additional financial contracts involving products that the Board has reviewed and approved previously but that are not products specifically covered by Regulation Y. Proposals involving products that have not been reviewed previously by the Board would continue to require the Board's specific consent.

The Reserve Bank should be notified promptly of any prospective substantial changes in the activities of the DTB that would materially increase the potential liability of the Morgan organization in conducting activities on the DTB. The Board expects that MGIFC will comply with any conditions the Board may impose after reviewing such changes.

Very truly yours,

Jennifer J. Johnson
Associate Secretary of the Board

cc: Vice President Rutledge, Federal Reserve Bank of New York

Orders Issued Under the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA Orders")

Recent orders have been issued by the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Bank Holding Company	Acquired Thrift	Surviving Bank(s)	Approval date
Aurora First National Company, Aurora, Nebraska	FirsTier Savings Bank, F.S.B., Omaha, Nebraska (Neligh Branch)	First National Bank & Trust Company in Aurora, Aurora, Nebraska	August 22, 1990
Brenton Banks, Inc., Des Moines, Iowa	Banc Iowa Federal Savings Bank, Cedar Rapids, Iowa	Brenton Bank and Trust Company, Cedar Rapids, Iowa	August 10, 1990
Brenton Banks, Inc., Des Moines, Iowa	FirstCentral Federal Savings Bank, Chariton, Iowa (Indianola Branch)	Warren County Brenton Bank and Trust, Indianola, Iowa	August 16, 1990
Citizens Corporation, Corydon, Iowa	FirstCentral Federal Savings Bank, Chariton, Iowa (Corydon and Russell Branches)	Citizens State Bank, Corydon, Iowa	August 16, 1990

FIRREA Orders—Continued

Bank Holding Company	Acquired Thrift	Surviving Bank(s)	Approval date
Farmers & Merchants Investment, Inc., Lincoln, Nebraska	FirsTier Savings Bank, F.S.B., Omaha, Nebraska (Lincoln, Franklin, and Ainsworth Branches)	Union Bank & Trust Company, Lincoln, Nebraska	August 22, 1990
First Alabama Bancshares, Inc., Montgomery, Alabama	Baldwin County Federal Savings Banks, Robertsdale, Alabama	First Alabama Bank, Montgomery, Alabama	August 10, 1990
Hy-Vee Food Stores, Inc., Chariton, Iowa	FirstCentral Federal Savings Bank, Chariton, Iowa (Chariton Branch)	National Bank & Trust Co., Chariton, Iowa	August 16, 1990
Key Bancshares of Wyoming, Cheyenne, Wyoming KeyCorp, Albany, New York	Provident Savings Association, F.A., Casper, Wyoming	Key Bank of Wyoming - Casper, Casper, Wyoming	August 16, 1990
Midwest Banco Bancorporation, Cozad, Nebraska	FirsTier Savings Bank, F.S.B., Omaha, Nebraska (Imperial Branch)	First Bank and Trust Company, Cozad, Nebraska	August 17, 1990
National City Corporation, Cleveland, Ohio	Buckeye Financial Corporation, Columbus, Ohio	BancOhio National Bank, Columbus, Ohio	August 31, 1990
Republic Banking Corporation of Florida, Miami, Florida Rebank Netherlands Antilles, N.V., Miami, Florida	Miami Savings Bank, Miami, Florida	Republic National Bank of Miami, Miami, Florida	August 16, 1990
United Nebraska Financial Co., Ord, Nebraska	FirsTier Savings Bank, F.S.B., Omaha, Nebraska (Ogallala Branch)	United Nebraska Bank, Grant, Grant, Nebraska	August 31, 1990
West Point Bancorp, Inc., West Point, Nebraska	FirsTier Savings Bank, F.S.B., Omaha, Nebraska (West Point Branch)	Farmers and Merchants National Bank, West Point, Nebraska	August 22, 1990

Applications Approved Under Bank Holding Company Act

By the Secretary of the Board

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

Section 4

Applicant(s)	Bank(s)	Effective date
Key Bancshares of Wyoming, Cheyenne, Wyoming KeyCorp, Albany, New York	Key Bank of Wyoming, F.S.B., Casper, Wyoming	August 17, 1990
Security Pacific Bancorporation Northwest, Seattle, Washington	Mountain West Savings Bank, F.S.B., Coeur d'Alene, Idaho	August 20, 1990

Applications Approved Under Bank Holding Company Act

By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective date
Allegiant Bancorp, Inc., Kahoka, Missouri	Eagle Bank and Trust Company, St. Louis, Missouri	St. Louis	July 27, 1990
Alpha Banco, Inc., Alpha, Illinois	The Bank of Alexis, Alexis, Illinois	Chicago	July 30, 1990
Banc One Financial Corporation, Jennings, Louisiana	Jeff Davis Bank and Trust Company, Jennings, Louisiana	Atlanta	August 9, 1990
Bank Corporation of Georgia, Macon, Georgia	AmeriCorp, Inc., Savannah, Georgia	Atlanta	August 17, 1990
Blackhawk Bancorporation, Milan, Illinois	Blackhawk State Bank, Milan, Illinois	Chicago	July 31, 1990
Boscobel Bancorp, Inc., Boscobel, Wisconsin	Boscobel State Bank, Boscobel, Wisconsin	Chicago	August 14, 1990
Bumpushares, Inc., Atwood, Tennessee	Citizens Bank and Trust Company, Atwood, Tennessee	St. Louis	August 7, 1990
Cascade Bancorp, Bend, Oregon	Bank of the Cascades, Bend, Oregon	San Francisco	July 24, 1990
Citizens National Bancorp, Inc., Putnam, Connecticut	The Citizens National Bank, Putnam, Connecticut	Boston	August 9, 1990

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective date
Community Bancshares of Wisconsin, Inc., Grafton, Wisconsin	Community Bank of Grafton, Grafton, Wisconsin	Chicago	August 22, 1990
Community Bank Corporation, Grant, Michigan	The Grant State Bank, Grant, Michigan	Chicago	August 14, 1990
E & A Associates, Denver, Colorado	First Denver Corporation, Denver, Colorado	Kansas City	August 10, 1990
Financial Center Corporation, Holland, Michigan	Paragon Bank, Holland, Michigan	Chicago	July 26, 1990
First Ascension Bancorp, Inc., Gonzales, Louisiana	First National Bank of Gonzales, Gonzales, Louisiana	Atlanta	August 10, 1990
First Bank Group, Inc., Brinkley, Arkansas	FirstBank of Arkansas, Brinkley, Arkansas Bank of Kensett, Kensett, Arkansas	St. Louis	August 13, 1990
First Community Bank Group, Inc., Minneapolis, Minnesota	Todd County Agency, Inc., Bertha, Minnesota	Minneapolis	August 10, 1990
First Financial Bancorp, Monroe, Ohio	Trustcorp Bank, Dunkirk, Dunkirk, Indiana	Cleveland	July 30, 1990
First Financial Corporation, Terre Haute, Indiana	Ridge Farm State Bank, Ridge Farm, Illinois	Chicago	August 21, 1990
First Howard Bancshares, Inc., Topeka, Kansas	First Security Bankshares, Inc., Topeka, Kansas	Kansas City	August 15, 1990
First Security Bankshares, Inc., Topeka, Kansas	I and B, Inc., Cherryvale, Kansas	Kansas City	August 15, 1990
First State Bancorp, Inc., La Crosse, Wisconsin	State Bank of La Crosse, La Crosse, Wisconsin	Minneapolis	August 23, 1990
FirsTrust, Inc., Cambridge, Nebraska	Hardin, Inc., Edison, Nebraska	Kansas City	August 2, 1990
Gaylord Bancorporation, Ltd., Gaylord, Minnesota	Nicollet State Bank, Nicollet, Minnesota	Minneapolis	July 27, 1990
GNW Financial Corporation, Bremerton, Washington	Great Northwest Bank, Bremerton, Washington	San Francisco	August 15, 1990
Hartsville Bancshares, Inc. Employee Stock Ownership Plan, Hartsville, Tennessee	Hartsville Bancshares, Inc., Hartsville, Tennessee	Atlanta	August 8, 1990
Heartland Bankshares, Inc., Madrid, Iowa	City State Bank, Madrid, Iowa	Chicago	August 8, 1990
HomeTown Bancorp, Inc., Myersville, Maryland	Myersville Bank, Myersville, Maryland	Richmond	July 30, 1990
Huxley Bancorp, Huxley, Iowa	First National Bank, Huxley, Iowa	Chicago	August 22, 1990
The Jonesboro Bancompany, Inc., Jonesboro, Illinois	The First National Bank of Jonesboro, Jonesboro, Illinois	St. Louis	August 14, 1990

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective date
Main Street Banks Incorporated, Covington, Georgia	Southern Heritage Savings Bank, Winterville, Georgia	Atlanta	July 27, 1990
Marathon Financial Corporation, Stephens City, Virginia	The Marathon Bank, Stephens City, Virginia	Richmond	July 31, 1990
Marshall & Ilsley Corporation, Milwaukee, Wisconsin	Barneveld State Bank, Barneveld, Wisconsin	Chicago	August 22, 1990
The M & B Capital Company, Mentor, Ohio	The Merchants & Business Bank, Mentor, Ohio	Cleveland	August 21, 1990
MC Bancshares, Inc., Morgan City, Louisiana	Morgan City Bank & Trust Company, Morgan City, Louisiana	Atlanta	August 15, 1990
NCNB Corporation, Charlotte, North Carolina	NCNB America Bank, Newark, Delaware	Richmond	August 22, 1990
NoDak Bancorporation, Fargo, North Dakota	Union State Bank of Fargo, Fargo, North Dakota	Minneapolis	August 3, 1990
North Fulton Bancshares, Inc., Roswell, Georgia	Milton National Bank, Roswell, Georgia	Atlanta	July 27, 1990
Northwest Bancorp, Inc., Hoffman Estates, Illinois	First National Hoffman Bancorp, Inc., Hoffman Estates, Illinois First Midwest Financial Corporation, Hoffman Estates, Illinois	Chicago	August 2, 1990
Ogle County Bancshares, Inc., Rochelle, Illinois	Leland National Bancorp, Inc., Leland, Illinois	Chicago	August 10, 1990
Rogers County Bank Holding Company, Claremore, Oklahoma	Bank of Oklahoma, Claremore, Claremore, Oklahoma Bank of Oklahoma, Pryor, Pryor, Oklahoma	Kansas City	August 17, 1990
Southern Colorado Bancshares, Inc., Pueblo West, Colorado	Southern Colorado, Pueblo West, Colorado	Kansas City	July 27, 1990
SouthTrust Corporation, Birmingham, Alabama	South Florida Financial Corporation, Cape Coral, Florida	Atlanta	August 3, 1990
Three Forks Bancorporation, Three Forks, Montana	Citizens Bancshares, Inc., Bozeman, Montana	Minneapolis	July 27, 1990
Vista Bancorp, Inc., Phillipsburg, New Jersey	Twin Rivers Community Bank, Easton, Pennsylvania	New York	August 3, 1990
West Point Bancorp, Inc., St. Joseph, Missouri	West Point Savings Association, West Point, Nebraska	Kansas City	August 17, 1990

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective date
BB&T Financial Corporation, Wilson, North Carolina	First Federal Savings Bank of Pitt County, Greenville, North Carolina	Richmond	July 26, 1990
Citizens Financial Services, Inc., Mansfield, Pennsylvania	Star Savings and Loan Association, Sayre, Pennsylvania	Philadelphia	August 3, 1990
CNB Bancshares, Inc., Evansville, Indiana	Valley Federal Savings Bank, Terre Haute, Indiana	St. Louis	August 14, 1990
Compagnie Financiere de Suez, Paris, France Banque Indosuez, Paris, France	Indosuez Carr Futures Inc., Chicago, Illinois	New York	August 14, 1990
Carolina First Corporation, Greenville, South Carolina	First Federal Savings and Loan Association of Georgetown, Georgetown, South Carolina	Richmond	August 1, 1990
First Financial Bancorp, Monroe, Ohio	Fidelity Federal Savings Bank, Marion, Indiana	Cleveland	August 8, 1990
Lincoln County Bancorp, Inc., Troy, Missouri	Louisiana Title Company, Inc., Louisiana, Missouri	St. Louis	August 10, 1990
Midwest Banco Bancorporation, Cozad, Nebraska	Interim Federal Savings Bank of Imperial, Imperial, Nebraska	Kansas City	August 17, 1990
National City Corporation, Cleveland, Ohio	Buckeye Financial Corporation, Columbus, Ohio	Cleveland	August 21, 1990
Norwest Corporation, Minneapolis, Minnesota	Yankton Savings and Loan Association, Yankton, South Dakota	Minneapolis	July 27, 1990
Redwood Empire Bancorp, Santa Rosa, California	Allied Savings Bank, F.S.B., Santa Rosa, California	San Francisco	August 9, 1990
Societe Generale, Paris, France	FIMAT Futures USA, Inc., Chicago, Illinois	New York	July 27, 1990
Southern National Corporation, Lumberton, North Carolina	Mutual Federal Savings and Loan Association, Elkin, North Carolina	Richmond	August 16, 1990
Southern National Corporation, Lumberton, North Carolina	Western Carolina Savings & Loan Association, Inc., Valdese, North Carolina	Richmond	August 16, 1990
United Nebraska Financial Co., Ord, Nebraska	United Nebraska Savings and Loan Association, Ogallala, Nebraska	Kansas City	August 22, 1990

Applications Approved Under Bank Merger Act

By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective date
Clanton Interim Bank, Clanton, Alabama	The Peoples Savings Bank, Clanton, Alabama	Atlanta	August 17, 1990
First Virginia Bank-Piedmont, Lynchburg, Virginia	CorEast Savings Bank, FSB, Richmond, Virginia	Richmond	August 6, 1990
First Virginia Bank-Planters, Bridgewater, Virginia	CorEast Savings Bank, FSB, Richmond, Virginia	Richmond	August 6, 1990

Pending Cases Involving the Board of Governors

This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

Kuhns v. Board of Governors, No. 90–1398 (D.C. Cir., filed July 30, 1990). Petition for review of Board order denying request for attorney's fees pursuant to Equal Access to Justice Act.

Laufman v. State of California, et al., No. CIVS-89–1755 EJM-EM (E.D. California, filed April 2, 1990). Action to require bank regulatory agencies to examine or bring enforcement action against bank. The Board's answer was filed on June 13, 1990.

May v. Board of Governors, No. 90–1316 (D.D.C., filed June 5, 1990). Action under Freedom of Information and Privacy Acts. The Board's motion to dismiss was granted on July 17, 1990. Plaintiff's notice of appeal was filed July 27, 1990.

Burke v. Board of Governors, No. 90–9509 (10th Circuit, filed February 27, 1990). Petition for review of Board orders assessing civil money penalties and issuing orders of prohibition.

BancTEXAS Group, Inc. v. Board of Governors, No. CA 3–90–0236-R (N.D. Texas, filed February 2, 1990). Suit for preliminary injunction enjoining the Board from enforcing a temporary order to cease and desist requiring injection of capital into plaintiff's subsidiary banks under the Board's source of strength doctrine. District court granted preliminary injunction on June 5, 1990, in light of 5th Circuit's decision in *MCorp v. Board of Governors*.

Rutledge v. Board of Governors, No. CV90-L-0137S (N.D. Alabama, filed January 27, 1990). Tort suit challenging Board and Reserve Bank supervisory actions. The Board's motion to dismiss or for summary judgment was granted on July 31, 1990. Plaintiff filed a notice of appeal to the Fifth Circuit on August 21, 1990.

Kaimowitz v. Board of Governors, No. 90–3067 (11th Cir., filed January 23, 1990). Petition for review of Board order dated December 22, 1989, approving application by First Union Corporation to acuire Florida National Banks. Petitioner objects to approval on Community Reinvestment Act grounds.

Babcock and Brown Holdings, Inc. v. Board of Governors, No. 89–70518 (9th Cir., filed November 22, 1989). Petition for review of Board determination that a company would control a proposed insured bank for purposes of the Bank Holding Company Act. Awaiting scheduling of oral argument.

Consumers Union of U.S., Inc. v. Board of Governors, No. 90–5186 (D.C. Cir., filed June 29, 1990). Appeal of District Court decision upholding amendments to Regulation Z implementing the Home Equity Loan Consumer Protection Act.

Synovus Financial Corp. v. Board of Governors, No. 89–1394 (D.C. Cir., filed June 21, 1989). Petition for review of Board order permitting relocation of a bank holding company's national bank subsidiary from Alabama to Georgia. Oral argument scheduled for October 11, 1990.

MCorp v. Board of Governors, No. 89–2816 (5th Cir., filed May 2, 1989). Appeal of preliminary injunction against the Board enjoining pending and future enforcement actions against a bank holding company now in bankruptcy. On May 15, 1990, the Fifth Circuit vacated the district court's order enjoining the Board from proceeding with enforcement actions based on section 23A of the Federal Reserve Act, but upheld the district court's order enjoining such actions based on the Board's source-of-strength doctrine. The Board's petition for rehearing was denied on August 5, 1990. On August 29, the Fifth Circuit denied the plaintiff's motion for a stay pending petition for *certiorari*.

Independent Insurance Agents of America v. Board of Governors, No. 89–4030 (2d Cir., filed March 9, 1989). Petition for review of Board order ruling that the non-banking restrictions of section 4 of the Bank Holding Company Act apply only to non-bank subsidiaries of bank holding companies. The Board's order was upheld on November 29, 1989. Petition for *certiorari* filed on April 18, 1990; the Board's opposition to *certiorari* was filed on July 13, 1990.

MCorp v. Board of Governors, No. CA3–88–2693 (N.D. Tex., filed October 10, 1988). Application for injunction to set aside temporary cease and desist orders. Stayed pending outcome of *MCorp v. Board of Governors* in Fifth Circuit.

White v. Board of Governors, No. CU-S-88–623-RDF (D. Nev., filed July 29, 1988). Age discrimination complaint. Board's motion to dismiss or for summary judgment pending.

Cohen v. Board of Governors, No. 88–1061 (D.N.J., filed March 7, 1988). Action seeking disclosure of documents under the Freedom of Information Act. Dismissed by stipulation on June 25, 1990.

Terminations of Final Enforcement Orders Issued by the Board of Governors

Bank South Corporation
Atlanta, Georgia
(Successor to Fulton National Holding Corporation, Atlanta, Georgia)
March 9, 1990

Household International, Inc.
Prospect Heights, Illinois
Household Finance Corporation
Prospect Heights, Illinois
September 29, 1989

The Prineville Bank
Prineville, Oregon
June 12, 1990

Financial and Business Statistics

NOTE. *The following tables may have some discontinuities in historical data for some series beginning with the December 1989 issue: 1.12, 1.33, 1.44, 1.52, 1.57–1.60, 2.10, 2.12, 2.13, 3.10, 3.11, 3.15–3.20, 3.22–3.25, 3.27, 3.28, and 4.30. For a more detailed explanation of the changes, see the announcement on page 16 of the January 1990* BULLETIN.

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FEDERAL FINANCE

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

Annual rates of change, seasonally adjusted in percent[1]

Monetary and credit aggregates	1989		1990		1990				
	Q3	Q4	Q1	Q2r	Mar.	Apr.	May	June	July
Reserves of depository institutions[2]									
1 Total	.6	5.1	2.4	-1.4	1.6	-.4	-9.8	-1.0	-8.3
2 Required	.5	5.0	2.5	-.9	4.2	-1.2	-11.3	2.8	-10.1
3 Nonborrowed	8.6	7.2	-3.9	-1.0	-12.1	9.8	-4.1	8.3	-5.9
4 Monetary base[3]	3.2	4.0	8.5	7.0	8.7	7.1	3.5	7.6	6.4
Concepts of money, liquid assets, and debt[4]									
5 M1	1.8	5.1	4.8	3.5	5.1	3.7r	-2.8	6.0r	-.4
6 M2	7.0r	7.1r	6.4r	2.9	5.7r	2.3r	-2.3r	2.9r	1.5
7 M3	4.0r	2.0r	2.9r	.8	1.4r	1.2r	-2.4r	1.2r	1.0
8 L	4.5r	3.2r	3.1r	1.7	4.8r	3.0r	-6.3r	6.9	n.a.
9 Debt	7.3	8.2	6.8r	6.6	7.4r	6.0r	5.6r	7.4	n.a.
Nontransaction components									
10 In M2[5]	8.7	7.7	6.9r	2.7	5.9r	1.9r	-2.1r	1.8r	2.2
11 In M3 only[6]	-6.5r	-16.5r	-10.5r	-7.5	-16.2	-3.6r	-2.9r	-5.4r	-1.1
Time and savings deposits									
Commercial banks									
12 Savings	.4	7.2	9.5	5.1	10.0	2.5	-1.9	9.3	3.7
13 MMDAs	5.2	12.3	9.1	10.6	10.4	10.7	9.9r	9.5	8.5
14 Small-denomination time[7]	11.9	11.3	7.8	12.0	5.6	9.4	20.8	18.5r	19.1
15 Large-denomination time[8,9]	2.9	2.7	-1.6	-2.9	-9.0r	-5.4r	5.5	2.4r	6.9
Thrift institutions									
16 Savings	-5.2	.2	1.3	.5	-3.2	4.3	-2.7r	-3.8	-1.1
17 MMDAs	-6.2	4.7	5.7	2.6	21.6	7.1	-16.7	-15.1r	-12.6
18 Small-denomination time[7]	8.7	-2.5	-3.3r	-8.0	2.8r	-5.9r	-16.0r	-20.9r	-15.5
19 Large-denomination time[8]	-10.7	-28.6	-24.7	-30.5	-23.2	-35.0	-40.3	-28.7r	-36.5
Money market mutual funds									
20 General purpose and broker-dealer	37.6	29.1	19.8r	-.7	2.2r	-.4r	-19.9r	5.6r	11.9
21 Institution-only	36.6	3.3	10.2	11.7	19.7	15.9	5.6	.0	17.9
Debt components[4]									
22 Federal	4.7	9.5	8.1	10.2	14.9	7.7	6.6	13.5	n.a.
23 Nonfederal	8.1	7.8	6.4r	5.5	5.1r	5.5r	5.3r	5.5	n.a.

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

2. Figures incorporate adjustments for discontinuities associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. Seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

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

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

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

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

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

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

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

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

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

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

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

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1990			1990						
	May	June	July	June 13	June 20	June 27	July 4	July 11	July 18	July 25
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**273,073**	**278,190**	**279,684**	**280,152**	**276,801**	**277,894**	**279,630**	**282,799**	**279,344**	**278,784**
U.S. government securities[1, 2]										
2 Bought outright-system account	224,344	228,752	230,592	227,798	228,982	229,576	231,276	229,944	230,347	230,736
3 Held under repurchase agreements	185	930	1,055	2,550	0	0	0	3,230	711	729
Federal agency obligations[2]										
4 Bought outright	6,446	6,446	6,437	6,446	6,446	6,446	6,446	6,446	6,446	6,433
5 Held under repurchase agreements	156	294	387	907	0	0	0	1,237	240	237
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions[2]										
7 Adjustment credit	205	237	96	740	34	74	62	19	35	242
8 Seasonal credit	248	313	275	281	164	345	368	206	249	347
9 Extended credit	852	339	389	516	312	202	157	350	380	411
10 Float	720	486	674	579	494	542	877	914	426	819
11 Other Federal Reserve assets	39,917	40,394	39,780	40,334	40,369	40,707	40,445	40,453	40,511	38,829
12 Gold stock	11,063	11,065	11,065	11,065	11,065	11,065	11,065	11,065	11,065	11,065
13 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
14 Treasury currency outstanding	19,949	20,016	20,093	20,005	20,019	20,033	20,065	20,078	20,091	20,105
ABSORBING RESERVE FUNDS										
15 Currency in circulation	262,394	265,776	268,968	265,907	265,822	265,474	267,760	270,024	269,522	268,479
16 Treasury cash holdings	572	582	568	586	582	578	579	577	573	559
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,054	5,078	5,408	4,574	5,003	5,364	5,580	5,973	5,108	5,082
18 Foreign	214	250	243	217	233	266	287	262	221	251
19 Service-related balances and adjustments	2,038	2,010	2,022	1,910	2,037	1,956	1,847	2,022	2,016	2,138
20 Other	334	289	243	230	302	328	278	199	229	238
21 Other Federal Reserve liabilities and capital	9,468	9,788	9,176	10,231	9,553	9,625	9,136	9,302	9,136	9,136
22 Reserve balances with Federal Reserve Banks[3]	32,529	34,016	32,731	36,084	32,870	33,918	33,810	34,102	32,213	32,589

Factors	End-of-month figures			Wednesday figures						
	1990			1990						
	May	June	July	June 13	June 20	June 27	July 4	July 11	July 18	July 25
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**275,183**	**279,372**	**279,364**	**283,457**	**276,723**	**279,926**	**280,080**	**284,245**	**277,202**	**280,154**
U.S. government securities[1, 2]										
24 Bought outright-system account	227,455	231,383	232,313	227,857	229,101	230,978	231,299	230,280	229,255	229,431
25 Held under repurchase agreements	0	0	0	1,032	0	0	0	3,972	0	1,833
Federal agency obligations[2]										
26 Bought outright	6,446	6,446	6,414	6,446	6,446	6,446	6,446	6,446	6,446	6,414
27 Held under repurchase agreements	0	0	0	1,053	0	0	0	1,774	0	539
28 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions[2]										
29 Adjustment credit	94	49	97	5,080	48	84	81	43	22	1,515
30 Seasonal credit	289	374	407	295	171	356	137	219	242	389
31 Extended credit	717	163	437	272	332	168	363	368	387	425
32 Float	316	575	643	685	189	1,052	1,582	407	539	858
33 Other Federal Reserve assets	39,866	40,382	39,053	40,736	40,436	40,842	40,172	40,739	40,312	38,750
34 Gold stock	11,065	11,065	11,064	11,065	11,065	11,065	11,065	11,065	11,065	11,064
35 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
36 Treasury currency outstanding	19,985	20,047	20,118	20,005	20,019	20,033	20,065	20,078	20,091	20,105
ABSORBING RESERVE FUNDS										
37 Currency in circulation	265,336	266,979	268,411	266,135	265,737	266,080	269,139	270,131	269,248	268,287
38 Treasury cash holdings	579	580	549	583	578	580	579	575	559	557
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	4,426	5,470	6,369	5,291	5,944	5,915	5,989	4,669	5,156	5,912
40 Foreign	309	368	279	224	223	189	239	276	190	228
41 Service-related balances and adjustments	2,242	1,847	2,000	1,910	2,037	1,956	1,847	2,022	2,016	2,138
42 Other	303	255	247	224	242	314	224	212	193	474
43 Other Federal Reserve liabilities and capital	9,928	9,012	9,723	9,652	9,365	9,409	9,116	9,128	8,823	8,916
44 Reserve balances with Federal Reserve Banks[3]	31,628	34,490	31,484	39,027	32,198	35,099	32,595	36,893	30,690	33,327

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* any securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Beginning with the May 1990 *Bulletin*, this table has been revised to correspond with the H.4.1 statistical release.
3. Excludes required clearing balances and adjustments to compensate for float.

NOTE. For amounts of currency and coin held as reserves, see table 1.12. Components may not add to totals because of rounding.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Monthly averages[9]									
	1987	1988	1989	1990						
	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 Reserve balances with Reserve Banks[2]	37,691	37,837	35,436	34,090	30,929	33,407	35,409	32,771	33,878	32,945
2 Total vault cash[3]	26,675	28,204	29,812	31,301	32,489	29,581	29,281	29,812	29,632	30,457
3 Applied vault cash[4]	24,449	25,909	27,374	28,841	29,693	27,251	27,103	27,461	27,318	27,996
4 *Surplus vault cash*[5]	2,226	2,295	2,439	2,461	2,795	2,330	2,178	2,351	2,314	2,461
5 Total reserves[6]	62,141	63,746	62,810	62,931	60,623	60,658	62,512	60,232	61,197[r]	60,941
6 Required reserves	61,094	62,699	61,888	61,914	59,634	59,797	61,615	59,269	60,423[r]	60,081
7 Excess reserve balances at Reserve Banks[7]	1,046	1,047	922	1,016	989	861	897	962	774	860
8 Total borrowings at Reserve Banks	777	1,716	265	440	1,448	2,124	1,628	1,335	881	757
9 Seasonal borrowings at Reserve Banks	93	130	84	47	51	78	122	244	311	389
10 Extended credit at Reserve Banks[8]	483	1,244	20	26	535	1,950	1,403	875	346	280
	Biweekly averages of daily figures for weeks ending									
	1990									
	Apr. 4	Apr. 18	May 2	May 16	May 30	June 13	June 27	July 11	July 25	Aug. 8
11 Reserve balances with Reserve Banks[2]	33,433	36,421	34,887	33,855	31,269	34,385	33,390	33,958[r]	32,390	32,384
12 Total vault cash[3]	29,585	28,931	29,589	28,863	30,852	28,986	30,097	30,264	30,549	30,597
13 *Applied vault cash*[4]	27,278	26,920	27,259	26,730	28,268	26,803	27,676	27,885	28,094	27,970
14 Surplus vault cash[5]	2,307	2,011	2,331	2,133	2,584	2,184	2,421	2,380	2,455	2,627
15 Total reserves[6]	60,711	63,341	62,145	60,584	59,537	61,188	61,066	61,842[r]	60,484	60,354
16 Required reserves	59,633	62,675	61,040	59,657	58,526	60,709	60,046	60,944[r]	59,609	59,599
17 Excess reserve balances at Reserve Banks[7]	1,078	665	1,105	927	1,011	479	1,020	898[r]	875	756
18 Total borrowings at Reserve Banks	2,157	1,882	1,155	976	1,723	1,291	566	581	832	908
19 Seasonal borrowings at Reserve Banks	96	100	158	221	278	282	329	359	396	429
20 Extended credit at Reserve Banks[8]	1,965	1,676	899	673	1,098	559	183	182	298	419

1. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance sheet "as-of" adjustments.
3. Total "lagged" vault cash held by those depository institutions currently subject to reserve requirements. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.
4. All vault cash held during the lagged computation period by "bound" institutions (i.e., those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (i.e., those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. *Total vault cash (line 2) less applied vault cash (line 3).*
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
9. Data are prorated monthly averages of biweekly averages.

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

Averages of daily figures, in millions of dollars

Maturity and source	1990 week ending Monday[2]								
	June 4	June 11	June 18	June 25	July 2	July 9	July 16	July 23	July 30
Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds									
From commercial banks in the United States									
1 For one day or under continuing contract	85,413	88,698	89,848	82,754	82,140	90,826	88,646	80,664	79,671
2 For all other maturities	18,706	19,734	21,135	20,214	19,294	19,261	19,161	21,137	19,311
From other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies									
3 For one day or under continuing contract	37,418	40,495	40,424	39,759	37,304	41,114	42,193	40,122	37,516
4 For all other maturities	18,065	17,758	17,495	17,562	17,631	18,030	17,858	19,176	18,779
Repurchase agreements on U.S. government and federal agency securities in immediately available funds									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	13,898	13,874	13,354	13,068	11,064	11,700	13,311	13,067	13,481
6 For all other maturities	20,438	20,695	20,503	20,437	19,408	19,155	19,735	21,516	21,734
All other customers									
7 For one day or under continuing contract	33,987	32,321	32,506	33,987	32,210	33,925	33,347	33,760	32,907
8 For all other maturities	13,263	14,130	13,964	14,211	13,902	13,691	13,572	13,854	14,737
MEMO: Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9 To commercial banks in the United States	49,490	44,708	61,783	49,258	51,135	47,908	45,724	46,841	46,791
10 To all other specified customers[3]	15,168	13,419	14,314	14,251	13,132	12,916	12,696	13,278	12,576

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.
These data also appear in the Board's H.5 (507) release. For address, see inside front cover.
2. Beginning with the August Bulletin data appearing are the most current available. To obtain data from May 1, 1989, through April 16, 1990, contact the Division of Applications Development and Statistical Services, Financial Statement Reports Section, (202) 452-3349.
3. Brokers and nonbank dealers in securities; other depository institutions; foreign banks and official institutions; and United States government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit and Seasonal credit[1]			Extended credit[2]						
				First 30 days of borrowing			After 30 days of borrowing[3]			
	On 8/8/90	Effective date	Previous rate	On 8/8/90	Effective date	Previous rate	On 8/8/90	Effective date	Previous rate	Effective date
Boston	7	2/24/89	6½	7	2/24/89	6½	8.45	8/8/90	8.6	7/25/90
New York		2/24/89			2/24/89			8/8/90		7/25/90
Philadelphia		2/24/89			2/24/89			8/8/90		7/25/90
Cleveland		2/24/89			2/24/89			8/8/90		7/25/90
Richmond		2/24/89			2/24/89			8/8/90		7/25/90
Atlanta		2/24/89			2/24/89			8/8/90		7/25/90
Chicago		2/24/89			2/24/89			8/8/90		7/25/90
St. Louis		2/24/89			2/24/89			8/8/90		7/25/90
Minneapolis		2/24/89			2/24/89			8/8/90		7/25/90
Kansas City		2/24/89			2/24/89			8/8/90		7/25/90
Dallas		2/27/89			2/27/89			8/8/90		7/25/90
San Francisco	7	2/24/89	6½	7	2/24/89	6½	8.45	8/8/90	8.6	7/25/90

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979—July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1980—July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1984—Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985—May 20	7½–8	7½
24	7½	7½
1986—Mar. 7	7–7½	7
10	7	7
Apr. 21	6½–7	6½
July 11	6	6
Aug. 21	5½–6	5½
22	5½	5½
1987—Sept. 4	5½–6	6
11	6	6
1988—Aug. 9	6–6½	6½
11	6½	6½
1989—Feb. 24	6½–7	7
27	7	7
In effect Aug. 8, 1990	7	7

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

Seasonal credit is available to help smaller depository institutions meet regular, seasonal needs for funds that cannot be met through special industry lenders and that arise from a combination of expected patterns of movement in their deposits and loans. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was reestablished for 1986 and 1987 but was not renewed for 1988.

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

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

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval[2]	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
Net transaction accounts[3,4]		
$0 million–$40.4 million	3	12/19/89
More than $40.4 million	12	12/19/89
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. Reserve requirements in effect on Dec. 31, 1989. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 20, 1988, the exemption was raised from $3.2 million to $3.4 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

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

4. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 19, 1989 for institutions reporting quarterly and Dec. 26, 1989 for institutions reporting weekly, the amount was decreased from $41.5 million to $40.4 million.

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

	Type of transaction	1987	1988	1989	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May	1990 June
	U.S. TREASURY SECURITIES										
	Outright transactions (*excluding matched transactions*)										
	Treasury bills										
1	Gross purchases	18,983	8,223	14,284	1,883	423	108	543	5,796	3,365	1,732
2	Gross sales	6,051	587	12,818	0	1,489	3,384	0	0	0	0
3	Exchange	0	0	0	0	0	0	0	0	0	0
4	Redemptions	9,029	2,200	12,730	0	1,000	400	0	0	0	0
	Others within 1 year										
5	Gross purchases	3,659	2,176	327	0	0	0	100	0	0	50
6	Gross sales	300	0	0	0	0	0	0	0	0	0
7	Maturity shift	21,504	23,854	28,848	1,268	1,201	2,845	1,876	993	4,387	1,314
8	Exchange	−20,388	−24,588	−25,783	0	−2,489	−5,418	0	−4,304	−2,771	0
9	Redemptions	70	0	500	0	0	0	0	0	0	0
	1 to 5 years										
10	Gross purchases	10,231	5,485	1,436	0	0	0	100	100	0	0
11	Gross sales	452	800	490	0	0	0	0	0	0	0
12	Maturity shift	−17,975	−17,720	−25,534	−1,268	−1,163	−1,713	−1,876	−739	−3,607	−1,314
13	Exchange	18,938	22,515	23,250	0	2,373	4,743	0	4,081	2,521	0
	5 to 10 years										
14	Gross purchases	2,441	1,579	287	0	0	0	0	0	0	0
15	Gross sales	0	175	29	0	0	0	0	0	0	0
16	Maturity shift	−3,529	−5,946	−2,231	0	−38	−451	0	−254	−530	0
17	Exchange	950	1,797	1,934	0	116	450	0	223	0	0
	Over 10 years										
18	Gross purchases	1,858	1,398	284	0	0	0	0	0	0	0
19	Gross sales	0	0	0	0	0	0	0	0	0	0
20	Maturity shift	0	−188	−1,086	0	0	−681	0	0	−250	0
21	Exchange	500	275	600	0	0	226	0	0	250	0
	All maturities										
22	Gross purchases	37,170	18,863	16,617	1,883	423	108	743	5,896	3,365	1,782
23	Gross sales	6,803	1,562	13,337	0	1,489	3,384	0	0	0	0
24	Redemptions	9,099	2,200	13,230	0	1,000	400	0	0	0	0
	Matched transactions										
25	Gross sales	950,923	1,168,484	1,323,480	103,077	127,729	116,220	99,104	97,970	121,596r	107,896
26	Gross purchases	950,935	1,168,142	1,326,542	104,827	121,411	120,637	97,128	98,643	121,218r	110,042
	Repurchase agreements[2]										
27	Gross purchases	314,621	152,613	129,518	22,737	16,185	0	8,050	6,409	3,959	11,242
28	Gross sales	324,666	151,497	132,688	21,145	17,777	0	6,627	7,832	3,959	11,242
29	Net change in U.S. government securities	11,234	15,872	−10,055	5,225	−9,976	741	190	5,146	2,987	3,928
	FEDERAL AGENCY OBLIGATIONS										
	Outright transactions										
30	Gross purchases	0	0	0	0	0	0	0	0	0	0
31	Gross sales	0	0	0	0	0	0	0	0	0	0
32	Redemptions	276	587	442	0	0	0	0	78	0	0
	Repurchase agreements[2]										
33	Gross purchases	80,353	57,259	38,835	2,992	1,741	0	1,966	2,595	2,314	3,221
34	Gross sales	81,350	56,471	40,411	2,467	2,266	0	1,457	3,104	2,314	3,221
35	Net change in federal agency obligations	−1,274	198	−2,018	525	−525	0	509	−587	0	0
36	**Total net change in System Open Market Account**	**9,961**	**16,070**	**−12,073**	**5,750**	**−10,501**	**741**	**699**	**4,559**	**2,987**	**3,928**

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

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

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

Millions of dollars

Account	Wednesday					End of month		
	1990					1990		
	June 27	July 4	July 11	July 18	July 25	May	June	July
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,065	11,065	11,065	11,065	11,064	11,065	11,065	11,064
2 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
3 Coin	474	457	450	455	470	468	470	476
Loans								
4 To depository institutions	608	581	629	651	2,330	1,100	586	942
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	6,446	6,446	6,446	6,446	6,414	6,446	6,446	6,414
8 Held under repurchase agreements	0	0	1,774	0	539	0	0	0
U.S. Treasury securities								
Bought outright								
9 Bills	108,433	108,754	107,736	106,710	106,886	104,960	108,838	109,768
10 Notes	91,782	91,782	91,782	91,782	91,782	91,732	91,782	91,782
11 Bonds	30,763	30,763	30,763	30,763	30,763	30,763	30,763	30,763
12 Total bought outright[2]	230,978	231,299	230,280	229,255	229,431	227,455	231,383	232,313
13 Held under repurchase agreements	0	0	3,972	0	1,833	0	0	0
14 Total U.S. Treasury securities	230,978	231,299	234,252	229,255	231,264	227,455	231,383	232,313
15 Total loans and securities	**238,032**	**238,326**	**243,100**	**236,352**	**240,546**	**235,001**	**238,415**	**239,668**
16 Items in process of collection	5,923	9,369	6,354	6,022	5,421	6,661	7,586	9,103
17 Bank premises	825	828	828	828	828	795	827	831
Other assets								
18 Denominated in foreign currencies[3]	34,747	34,226	34,186	34,211	32,327	34,574	34,225	32,561
19 All other[4]	5,167	5,169	5,534	5,232	5,599	4,563	5,248	6,577
20 Total assets	**304,752**	**307,958**	**310,035**	**302,684**	**304,772**	**301,646**	**306,354**	**308,798**
LIABILITIES								
21 Federal Reserve notes	247,101	250,110	251,078	250,172	249,210	246,398	247,983	249,319
Deposits								
22 To depository institutions	36,812	34,506	39,371	32,871	35,235	34,094	36,336	34,651
23 U.S. Treasury—General account	5,915	5,989	4,669	5,156	5,912	4,426	5,470	6,369
24 Foreign—Official accounts	189	239	276	190	228	309	368	279
25 Other	314	224	212	193	474	303	255	247
26 Total deposits	**43,230**	**40,958**	**44,528**	**38,410**	**41,850**	**39,132**	**42,429**	**41,546**
27 Deferred credit items	5,012	7,774	5,301	5,279	4,796	6,188	6,930	8,210
28 Other liabilities and accrued dividends[5]	4,311	3,714	4,070	3,609	3,778	4,365	3,810	3,554
29 Total liabilities	**299,655**	**302,556**	**304,977**	**297,470**	**299,634**	**296,083**	**301,152**	**302,629**
CAPITAL ACCOUNTS								
30 Capital paid in	2,344	2,346	2,348	2,369	2,358	2,344	2,344	2,359
31 Surplus	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243
32 Other capital accounts	511	813	467	602	537	981	616	1,566
33 Total liabilities and capital accounts	**304,752**	**307,958**	**310,035**	**302,684**	**304,772**	**301,646**	**306,354**	**308,798**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	227,365	224,881	225,711	226,487	225,489	225,879	228,260	228,317
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	288,282	288,769	289,304	290,109	290,449	285,819	288,487	290,791
36 LESS: Held by bank	41,181	38,658	38,226	39,937	41,239	39,421	40,504	41,472
37 Federal Reserve notes, net	247,101	250,110	251,078	250,172	249,210	246,398	247,983	249,319
Collateral held against notes net:								
38 Gold certificate account	11,065	11,065	11,065	11,065	11,064	11,065	11,065	11,064
39 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	227,518	230,527	231,495	230,588	229,629	227,815	228,400	229,737
42 Total collateral	**247,101**	**250,110**	**251,078**	**250,172**	**249,210**	**247,398**	**247,983**	**249,319**

1. Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover. Components may not add to totals because of rounding.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within 90 days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1990					1990		
	June 27	July 4	July 11	July 18	July 25	May 31	June 29	July 31
1 Loans—Total	608	581	629	652	2,330	1,100	586	942
2 Within 15 days	559	322	499	599	2,255	1,014	415	723
3 16 days to 90 days	49	259	130	52	75	86	171	218
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. Treasury securities—Total	230,978	231,299	234,252	229,255	231,264	227,455	231,383	232,313
10 Within 15 days[1]	12,631	12,193	11,270	8,455	10,699	5,371	9,655	9,872
11 16 days to 90 days	52,287	55,254	56,300	53,875	53,516	50,466	57,872	56,294
12 91 days to 1 year	70,560	67,838	70,668	71,174	71,298	76,167	68,356	69,706
13 Over 1 year to 5 years	57,482	57,995	57,995	57,548	57,548	57,432	57,482	58,239
14 Over 5 years to 10 years	11,617	11,617	11,617	11,801	11,801	11,617	11,617	11,801
15 Over 10 years	26,402	26,402	26,402	26,402	26,402	26,402	26,402	26,402
16 Federal agency obligations—Total	6,446	6,446	8,219	6,446	6,952	6,446	6,446	6,414
17 Within 15 days[1]	225	39	1,890	232	654	266	223	115
18 16 days to 90 days	672	867	750	640	674	564	672	712
19 91 days to 1 year	1,406	1,396	1,411	1,406	1,506	1,416	1,406	1,468
20 Over 1 year to 5 years	2,846	2,846	2,851	2,851	2,802	2,895	2,846	2,820
21 Over 5 years to 10 years	1,109	1,109	1,128	1,128	1,128	1,117	1,109	1,110
22 Over 10 years	188	188	188	188	188	188	188	188

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

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

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

Billions of dollars, averages of daily figures

Item	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1989	1990						
					Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 **Total reserves**[3]	**58.02**	**58.59**	**60.59**	**60.03**	**60.03**	**59.90**	**60.22**	**60.30**	**60.28**	**59.78**	**59.73**	**59.32**
2 Nonborrowed reserves[4]	57.20	57.82	58.88	59.77	59.77	59.46	58.77	58.17	58.65	58.45	58.85	58.56
3 Nonborrowed reserves plus extended credit[5]	57.50	58.30	60.12	59.79	59.79	59.48	59.30	60.12	60.05	59.32	59.20	58.84
4 Required reserves	56.65	57.55	59.55	59.11	59.11	58.88	59.23	59.44	59.38	58.82	58.96	58.46
5 Monetary base[6]	241.43	258.06	275.24	284.95	284.95	287.51	289.71	291.82	293.54	294.40	296.28[r]	297.86
	Not seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
6 **Total reserves**[7]	**59.46**	**60.07**	**62.22**	**61.67**	**61.67**	**61.58**	**59.20**	**59.23**	**61.05**	**58.74**	**59.61**	**59.47**
7 Nonborrowed reserves	58.64	59.30	60.50	61.40	61.40	61.14	57.75	57.11	59.42	57.41	58.73	58.71
8 Nonborrowed reserves plus extended credit[5]	58.94	59.78	61.75	61.42	61.42	61.17	58.29	59.06	60.82	58.28	59.07	58.99
9 Required reserves[8]	58.09	59.03	61.17	60.75	60.75	60.56	58.21	58.37	60.15	57.78	58.84	58.61
10 Monetary base[9]	245.17	262.00	279.54	289.45	289.45	288.67	286.50	288.86	293.35	293.52	297.37	299.90
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 **Total reserves**[11]	**59.56**	**62.14**	**63.75**	**62.81**	**62.81**	**62.93**	**60.62**	**60.66**	**62.51**	**60.23**	**61.20**	**60.94**
12 Nonborrowed reserves	58.73	61.36	62.03	62.54	62.54	62.49	59.17	58.53	60.88	58.90	60.32	60.18
13 Nonborrowed reserves plus extended credit[5]	59.04	61.85	63.27	62.56	62.56	62.52	59.71	60.49	62.29	59.77	60.66	60.46
14 Required reserves	58.19	61.09	62.70	61.89	61.89	61.91	59.63	59.80	61.62	59.27	60.42	60.08
15 Monetary base[12]	247.62	266.06	283.00	292.55	292.55	292.13	290.02	292.38	296.87	297.03	300.99[r]	303.39
16 Excess reserves[13]	1.37	1.05	1.05	0.92	0.92	1.02	0.99	0.86	0.90	0.96	0.77	0.86
17 Borrowings from the Federal Reserve	0.83	0.78	1.72	0.27	0.27	0.44	1.45	2.12	1.63	1.33	0.88	0.76

1. Latest monthly and biweekly figures are available from the Board's H.3(502) statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.
2. Figures reflect adjustments for discontinuities or "breaks" associated with regulatory changes in reserve requirements.
3. Seasonally adjusted, break adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).
4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).
5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves, the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.
7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).
8. To adjust required reserves for discontinuities because of regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves includes required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).
9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.
10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with changes in reserve requirements.
11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.
12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. After the introduction of CRR, currency and vault cash figures are measured over the computation periods ending on Mondays.
13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

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

Billions of dollars, averages of daily figures

Item[2]	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1990 Apr.[r]	1990 May[r]	1990 June[r]	1990 July
				Seasonally adjusted				
1 M1	724.7	750.4	787.5	794.8	807.3	805.4	809.4	809.1
2 M2	2,814.2	2,913.2	3,072.4	3,221.6[r]	3,277.9	3,271.6	3,279.4	3,283.6
3 M3	3,494.5	3,678.7	3,918.4	4,044.6[r]	4,073.2	4,065.0	4,069.2	4,072.7
4 L	4,135.5	4,338.9	4,676.0	4,881.8[r]	4,928.0	4,902.2	4,930.2	n.a.
5 Debt	7,588.3	8,307.5	9,062.0	9,777.6	9,997.1	10,043.8	10,105.4	n.a.
M1 components								
6 Currency[3]	180.6	196.7	211.8	221.9	230.1	231.6	233.4	235.4
7 Travelers checks[4]	6.5	7.0	7.5	7.4	7.6	7.7	7.7	7.7
8 Demand deposits[5]	302.1	287.0	287.0	279.7	277.8	274.5	274.5	274.8
9 Other checkable deposits[6]	235.5	259.7	281.3	285.7	291.8	291.5	293.8	291.2
Nontransactions components								
10 In M2[7]	2,089.6	2,162.8	2,284.9	2,426.8[r]	2,470.6	2,466.2	2,470.0	2,474.5
11 In M3 only[8]	680.3	765.5	845.9	823.0[r]	795.3	793.4	789.8	789.1
Time and Savings accounts								
Commercial banks								
12 Savings deposits	155.8	178.3	192.0	188.5	193.8	193.5	195.0	195.6
13 Money market deposit accounts	377.7	356.4	350.2	351.5	362.3	365.3	368.2	370.8
14 Small time deposits[9]	366.3	388.1	447.5	528.6	541.4	550.8	559.3	568.2
15 Large time deposits[10, 11]	289.8	326.9	368.2	401.5	394.6	396.4	397.2	399.5
Thrift institutions								
16 Savings deposits	214.3	236.6	235.9	220.5	222.0	221.5	220.8	220.6
17 Money market deposit accounts	193.3	167.4	150.1	132.2	136.6	134.7	133.0	131.6
18 Small time deposits[9]	489.9	529.7	583.5	613.7	606.3	598.2	587.8	580.2
19 Large time deposits[10]	150.0	161.9	172.9	156.8	143.0	138.2	134.9	130.8
Money market mutual funds								
20 General purpose and broker-dealer	208.7	222.0	240.9	312.4	325.8	320.4	321.9	325.1
21 Institution-only	83.8	89.0	87.1	102.3	106.8	107.3	107.3	108.9
Debt components								
22 Federal debt	1,805.8	1,957.4	2,113.5	2,265.7	2,340.9	2,353.8	2,380.2	n.a.
23 Nonfederal debt	5,782.5	6,350.1	6,948.5	7,511.9	7,656.2	7,690.0	7,725.2	n.a.
				Not seasonally adjusted				
24 M1	740.5	766.4	804.5	812.1	817.3	796.4	810.0	812.1
25 M2	2,826.5	2,925.6	3,085.2	3,234.5[r]	3,289.1	3,256.6	3,276.6	3,289.2
26 M3	3,508.8	3,692.7	3,932.5	4,058.6[r]	4,079.9	4,049.3	4,062.8	4,071.7
27 L	4,151.5	4,355.2	4,692.7	4,899.5[r]	4,931.4	4,889.8	4,921.4	n.a.
28 Debt	7,572.0	8,289.0	9,047.3	9,762.2	9,958.1	10,002.0	10,065.1	n.a.
M1 components								
29 Currency[3]	183.0	199.3	214.8	225.3	229.5	231.7	234.8	237.1
30 Travelers checks[4]	6.0	6.5	6.9	6.9	7.3	7.5	8.1	8.6
31 Demand deposits[5]	314.0	298.6	298.9	291.6	279.8	268.5	274.8	277.0
32 Other checkable deposits[6]	237.5	262.0	283.8	288.4	300.7	288.7	292.3	289.3
Nontransactions components								
33 In M2[7]	2,086.0	2,159.2	2,280.8	2,422.4[r]	2,471.8	2,460.2	2,466.6	2,477.1
34 In M3 only[8]	682.3	767.0	847.3	824.2[r]	790.8	792.7	786.3	782.5
Time and Savings accounts								
Commercial banks								
35 Savings deposits	154.4	176.9	190.6	187.2	194.2	194.0	196.1	197.2
36 Money market deposit accounts	379.8	359.0	353.2	355.0	362.4	361.0	365.8	368.0
37 Small time deposits[9]	366.1	387.3	446.0	526.4	541.7	549.7	560.4	569.7
38 Large time deposits[10, 11]	289.2	325.8	366.9	399.8	394.6	396.9	396.8	397.3
Thrift institutions								
39 Savings deposits	212.7	234.9	234.2	219.0	222.4	221.8	222.3	223.0
40 Money market deposit accounts	192.9	167.5	150.6	132.8	135.9	133.8	132.5	131.2
41 Small time deposits[9]	489.8	529.1	582.4	612.3	606.0	596.5	586.8	581.7
42 Large time deposits[10]	150.7	162.9	174.2	158.3	141.6	137.5	133.5	129.5
Money market mutual funds								
43 General purpose and broker-dealer	208.0	221.5	240.5	312.2	329.4	319.6	319.8	322.3
44 Institution-only	84.4	89.6	87.6	102.9	105.8	106.7	106.1	108.1
Repurchase agreements and Eurodollars								
45 Overnight	82.3	83.2	83.3	77.4[r]	79.8	83.7	83.0	83.9
46 Term	164.3	197.1	227.7	178.3[r]	160.7	163.2	163.2	161.6
Debt components								
47 Federal debt	1,803.9	1,955.6	2,111.8	2,264.1	2,329.1	2,337.8	2,361.3	n.a.
48 Nonfederal debt	5,768.1	6,333.4	6,935.5	7,498.1	7,629.0	7,664.2	7,703.8	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.22 BANK DEBITS AND DEPOSIT TURNOVER[1]

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

Bank group, or type of customer	1987	1988	1989	1989	1990				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
DEBITS TO	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	217,116.2	226,888.4	272,793.1	280,074.4	286,425.2	299,450.2	285,111.5	274,403.6	273,186.2
2 Major New York City banks	104,496.3	107,547.3	121,894.2	131,681.3	123,744.6	132,031.4	132,470.3	124,988.2	123,314.6
3 Other banks	112,619.8	119,341.2	150,898.9	148,393.1	162,680.5	167,418.8	152,641.2	149,415.4	149,871.6
4 ATS-NOW accounts[4]	2,402.7	2,757.7	3,501.8	3,727.5	3,910.4	4,115.7	4,075.7	3,993.3	4,165.6
5 Savings deposits[5]	526.5	579.2	636.6	615.8	609.2	587.3	617.6	583.1	601.1
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	612.1	641.2	781.0	797.7	820.0	851.4	813.3	780.8	791.9
7 Major New York City banks	2,670.6	2,903.5	3,401.6	3,578.1	3,422.4	3,677.3	3,760.2	3,551.5	3,590.9
8 Other banks	357.0	376.8	481.5	472.1	519.5	530.1	484.0	472.5	482.5
9 ATS-NOW accounts[4]	13.8	14.7	18.3	18.9	19.8	20.6	20.2	19.7	20.5
10 Savings deposits[5]	3.1	3.1	3.5	3.3	3.3	3.1	3.2	3.0	3.2
DEBITS TO	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	217,125.1	227,010.7	271,957.3	283,603.3	303,668.0	270,852.7	291,868.6	276,077.5	282,747.7
12 Major New York City banks	104,518.8	107,565.0	122,241.8	129,690.0	131,796.0	119,305.2	137,029.5	125,750.6	125,532.4
13 Other banks	112,606.2	119,445.7	149,715.5	153,913.3	171,872.0	151,547.5	154,839.2	150,326.9	157,215.3
14 ATS-NOW accounts[4]	2,404.8	2,754.7	3,496.5	3,904.0	4,263.7	3,721.3	4,030.4	4,285.8	4,066.2
15 MMDA[6]	1,954.2	2,430.1	2,790.6	2,880.5	3,075.9	2,551.2	2,714.9	2,848.4	3,016.4
16 Savings deposits[5]	526.8	578.0	635.8	630.1	629.3	518.7	594.2	646.8	592.6
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	612.3	641.7	779.0	769.3	847.9	791.8	850.4	784.4	834.7
18 Major New York City banks	2,674.9	2,901.4	3,415.4	3,250.4	3,433.3	3,314.9	3,836.2	3,564.6	3,796.3
19 Other banks	356.9	377.1	477.8	468.1	537.5	495.2	503.6	474.7	514.3
20 ATS-NOW accounts[4]	13.8	14.7	18.3	19.5	21.1	18.7	20.0	20.5	20.3
21 MMDA[6]	5.3	6.9	8.3	8.2	8.7	7.2	7.6	7.9	8.4
22 Savings deposits[5]	3.1	3.1	3.5	3.4	3.4	2.8	3.1	3.4	3.1

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

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

2. Annual averages of monthly figures.

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

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

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

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1989					1990						
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
	Seasonally adjusted											
1 **Total loans and securities[2]**	**2,527.4**	**2,538.9**	**2,563.3**	**2,579.0**	**2,582.6**	**2,585.8**	**2,603.8**	**2,623.8**	**2,635.0**	**2,642.2[r]**	**2,657.9[r]**	**2,671.4**
2 U.S. government securities	375.5	378.1	389.9	394.8	394.4	402.4	412.2	418.9	422.7	426.0[r]	434.7[r]	437.9
3 Other securities	183.8	183.1	180.9	179.3	180.3	180.2	180.1	180.2	180.8	179.2	178.5	178.1
4 Total loans and leases[2]	1,968.2	1,977.7	1,992.5	2,004.9	2,007.9	2,003.2	2,011.6	2,024.7	2,031.6	2,037.0	2,044.7	2,055.3
5 Commercial and industrial	636.1	637.7	641.9	645.9	642.9	639.0	637.9	642.8	648.2	647.9	651.2	650.0
6 Bankers acceptances held[3]	8.1	8.4	8.8	8.1	7.6	7.4	8.0	8.3	8.4	8.4	8.7	8.5
7 Other commercial and industrial	628.0	629.3	633.2	637.8	635.3	631.6	629.8	634.5	639.8	639.5	642.5	641.6
8 U.S. addressees[4]	624.3	625.4	628.9	632.7	629.8	623.9	623.9	628.2	633.7	634.8	637.5[r]	638.9
9 Non-U.S. addressees[4]	3.7	3.9	4.2	5.1	5.5	7.7	5.9	6.3	6.1	4.7	5.0[r]	2.7
10 Real estate	727.7	735.8	742.6	749.2	756.4	759.6	768.1	774.4	779.4	787.5	793.7	801.1
11 Individual	367.5	370.3	372.6	374.6	375.9	377.9	378.9	379.2	377.8	379.2	377.9	376.3
12 Security	39.0	39.7	41.2	41.5	39.6	40.1	41.1	38.3	37.0	35.7	36.1	40.0
13 Nonbank financial institutions	31.5	31.8	33.2	33.7	32.7	32.3	33.0	34.2	34.3	33.8	33.6	33.8
14 Agricultural	29.9	29.6	29.6	29.9	30.3	30.9	31.0	31.2	31.4	31.2	32.0	34.0
15 State and political subdivisions	42.2	41.7	41.3	40.8	40.1	38.6	38.9	38.4	38.2	37.9	37.4	36.7
16 Foreign banks	8.1	7.5	8.5	8.0	8.6	7.9	7.8	8.4	9.0	8.8	7.5	7.1
17 Foreign official institutions	4.1	4.2	3.9	3.6	3.6	3.2	3.1	3.0	3.2	3.2	3.1	3.1
18 Lease financing receivables	31.0	31.3	31.7	31.6	31.4	31.6	31.6	31.8	31.6	31.8	31.5	31.9
19 All other loans	51.0	48.0	46.0	46.0	46.4	42.1	40.2	42.9	41.6	40.0	40.7	41.4
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**2,521.1**	**2,537.5**	**2,563.6**	**2,581.0**	**2,590.6**	**2,591.5**	**2,606.2**	**2,618.1**	**2,635.3**	**2,641.8[r]**	**2,657.9[r]**	**2,665.5**
21 U.S. government securities	376.1	377.2	387.3	394.9	395.6	404.1	416.7	420.4	422.5	425.0[r]	431.7[r]	435.5
22 Other securities	183.8	183.3	181.8	180.5	181.2	180.7	179.9	179.8	180.2	178.6	177.7	176.8
23 Total loans and leases[2]	1,961.2	1,977.0	1,994.5	2,005.6	2,013.8	2,006.7	2,009.5	2,017.9	2,032.6	2,038.2	2,048.5	2,053.3
24 Commercial and industrial	633.4	633.7	639.3	643.1	642.8	637.5	638.5	644.5	652.5	652.1	653.6	650.4
25 Bankers acceptances held[3]	8.1	8.4	8.9	8.2	7.7	7.5	8.1	8.2	8.2	8.3	8.6	8.2
26 Other commercial and industrial	625.3	625.3	630.4	634.9	635.1	630.0	630.4	636.3	644.3	643.8	645.0	642.2
27 U.S. addressees[4]	619.8	619.8	624.7	629.4	629.8	625.0	625.6	631.5	639.5	639.0	640.4	637.6
28 Non-U.S. addressees[4]	5.5	5.5	5.6	5.5	5.3	5.0	4.9	4.8	4.8	4.8	4.6	4.6
29 Real estate	729.2	737.8	743.9	750.9	757.1	759.7	765.5	771.7	777.5	786.4	793.6	801.7
30 Individual	367.7	372.1	373.7	376.0	380.3	381.5	378.1	376.0	375.0	376.7	376.1	374.8
31 Security	38.4	38.8	40.1	40.3	38.6	38.3	40.5	39.2	39.5	36.3	38.3	40.1
32 Nonbank financial institutions	31.3	31.4	32.8	34.0	33.8	33.0	32.6	33.4	34.2	33.8	34.0	33.9
33 Agricultural	30.7	30.5	30.4	30.2	30.2	30.3	30.1	30.1	30.4	30.9	32.4	34.7
34 State and political subdivisions	41.9	41.6	41.2	40.6	39.7	39.5	39.3	38.6	38.2	37.8	37.2	36.3
35 Foreign banks	8.1	7.8	8.8	8.1	8.4	8.0	7.7	7.9	8.5	8.8	7.7	7.2
36 Foreign official institutions	4.1	4.2	3.9	3.6	3.6	3.2	3.1	3.0	3.2	3.2	3.1	3.1
37 Lease financing receivables	30.9	31.2	31.6	31.6	31.5	32.0	31.8	31.7	31.7	31.8	31.5	31.6
38 All other loans	45.6	47.8	48.7	47.1	47.7	43.6	42.3	41.8	42.1	40.6	41.1	39.3

1. Data have been revised because of benchmarking and seasonal adjustment revisions beginning January 1973. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.
2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1989					1990						
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.r	Mar.r	Apr.r	Mayr	Juner	July
Seasonally adjusted												
1 Total nondeposit funds[2]	239.1r	247.0r	254.7r	256.5r	257.4r	258.4r	268.1	271.8	269.5	272.5	276.1	288.5
2 Net balances due to related foreign offices[3]	9.7	11.1	10.2	8.6	7.4	10.9	14.7	17.3	16.7	24.5	14.8	16.7
3 Borrowings from other than commercial banks in United States[4]	229.4r	235.9r	244.5r	247.9r	250.0r	247.6r	253.3	254.5	252.9	248.0	261.3	271.8
4 Domestically chartered banks	184.5r	189.9r	196.5r	198.3r	200.4r	196.9r	201.4	198.5	194.2	189.8	202.7	209.8
5 Foreign-related banks	44.9	46.0	48.0	49.6	49.5	50.7	51.9	56.0	58.7	58.2	58.6	62.0
Not seasonally adjusted												
6 Total nondeposit funds[2]	238.6r	243.6r	249.9r	255.4r	250.8r	254.9r	271.2	277.7	272.3	281.1	281.0	283.9
7 Net balances due to related foreign offices[3]	10.1	11.7	9.6	9.7	9.7	10.5	14.3	16.2	14.4	26.4	15.4	14.7
8 Domestically chartered banks	−15.5	−14.3	−15.0	−15.5	−19.2	−14.5	−11.1	−11.5	−10.7	−1.4	−6.3	−6.1
9 Foreign-related banks	25.6	26.0	24.6	25.2	28.9	25.0	25.4	27.7	25.0	27.8	21.7	20.8
10 Borrowings from other than commercial banks in United States[4]	228.5r	231.9r	240.3r	245.8r	241.1r	244.4r	256.9	261.5	258.0	254.7	265.6	269.2
11 Domestically chartered banks	184.0r	186.9r	193.5r	198.5r	194.0r	192.9r	203.3	204.3	198.2	195.6	204.5	206.8
12 Federal funds and security RP borrowings[5]	181.0r	183.9r	190.4r	196.1r	191.5r	190.3r	199.6	199.9	194.5	192.3	201.4	203.9
13 Other[6]	3.0	3.0	3.0	2.4	2.5	2.7	3.7	4.5	3.7	3.4	3.2	2.9
14 Foreign-related banks[6]	44.5	45.0	46.8	47.2	47.1	51.5	53.5	57.2	59.7	59.1	61.1	62.4
MEMO												
Gross large time deposits[7]												
15 Seasonally adjusted	462.0	460.0	461.4	464.0	464.3	462.7	460.6	457.3	455.1	454.7	452.7	454.0
16 Not seasonally adjusted	462.6	461.5	462.6	464.4	462.7	460.4	460.3	460.2	455.1	455.2	452.2	451.9
U.S. Treasury demand balances at commercial banks[8]												
17 Seasonally adjusted	22.3	22.8	21.5	20.4	21.1	20.2	17.8	19.2	21.2	18.6	20.4	14.9
18 Not seasonally adjusted	15.8	24.9	20.6	14.7	19.6	23.2	22.0	16.7	20.0	25.2	20.9	15.3

1. Data have been revised because of benchmarking and seasonal adjustment revisions beginning January 1973. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

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

2. Includes federal funds, RPs, and other borrowing from nonbanks and net balances due to related foreign offices.

3. Reflects net positions of U.S. chartered banks, Edge Act corporations, and U.S. branches and agencies of foreign banks with related foreign offices plus net positions with own IBFs.

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

5. Based on daily average data reported weekly by approximately 120 large banks and quarterly or annual data reported by other banks.

6. Figures are partly daily averages and partly averages of Wednesday data.

7. Time deposits in denominations of $100,000 or more. Estimated averages of daily data.

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

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

Billions of dollars

Account	1989				1990						
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,700.5	2,734.8	2,771.2	2,779.0	2,789.0	2,797.6	2,806.9	2,823.6	2,826.7	2,848.3	2,858.2
2 Investment securities	541.4	544.7	548.3	549.0	561.2	568.0	573.5	578.6	582.5	584.6	585.9
3 U.S. government securities	365.1	370.0	374.4	374.1	387.5	395.3	401.8	408.2	412.2	416.4	418.6
4 Other	176.3	174.7	173.9	174.9	173.8	172.7	171.7	170.5	170.2	168.2	167.3
5 Trading account assets	18.3	26.6	27.6	23.4	31.9	30.4	26.0	23.9	21.3	23.7	27.2
6 Total loans	2,140.8	2,163.6	2,195.3	2,206.5	2,195.8	2,199.2	2,207.4	2,221.1	2,222.9	2,240.1	2,241.7
7 Interbank loans	165.4	171.8	187.6	190.5	189.0	187.3	189.7	187.7	186.0	191.6	191.9
8 Loans excluding interbank	1,975.3	1,991.8	2,007.7	2,016.0	2,006.8	2,011.9	2,017.7	2,033.4	2,036.9	2,048.5	2,049.8
9 Commercial and industrial	632.1	638.9	643.0	644.3	636.4	640.6	643.8	652.2	650.2	653.6	646.9
10 Real estate	739.6	745.0	753.6	758.3	761.3	767.2	774.3	779.5	789.7	795.0	802.8
11 Individual	373.8	374.3	376.8	382.4	381.4	378.0	374.7	376.4	377.0	377.4	375.4
12 All other	229.9	233.6	234.2	231.1	227.6	226.2	224.9	225.3	220.1	222.5	224.8
13 Total cash assets	218.5	212.0	234.2	258.0	222.0	228.5	217.0	216.6	244.7	227.6	218.4
14 Reserves with Federal Reserve Banks	31.8	28.5	38.7	42.8	24.5	29.3	31.8	31.3	27.5	31.8	29.8
15 Cash in vault	27.9	27.8	30.7	31.5	28.0	27.9	27.8	28.6	29.9	28.9	28.8
16 Cash items in process of collection	82.6	77.5	84.2	98.9	89.8	91.5	80.0	80.1	100.7	86.2	79.4
17 Demand balances at U.S. depository institutions	28.5	28.3	28.5	32.1	29.6	31.0	27.5	26.5	32.2	27.8	27.4
18 Other cash assets	47.6	49.9	52.2	52.7	50.1	48.9	49.8	50.1	54.4	52.9	53.0
19 Other assets	214.1	210.3	207.1	212.7	219.3	214.0	209.9	206.9	207.1	216.9	208.9
20 Total assets/total liabilities and capital	**3,133.1**	**3,157.2**	**3,212.5**	**3,249.6**	**3,230.3**	**3,240.1**	**3,233.7**	**3,247.0**	**3,278.5**	**3,292.8**	**3,284.4**
21 Deposits	2,177.0	2,196.0	2,223.2	2,267.6	2,243.3	2,257.8	2,246.6	2,252.3	2,288.1	2,274.1	2,282.9
22 Transaction deposits	586.5	585.8	600.4	641.5	611.3	615.9	593.9	600.5	617.7	598.5	590.5
23 Savings deposits	518.6	525.6	535.6	538.2	540.5	545.8	551.1	548.1	553.7	555.5	560.5
24 Time deposits	1,072.0	1,084.6	1,087.2	1,087.8	1,091.5	1,096.1	1,101.6	1,103.8	1,116.6	1,120.1	1,131.9
25 Borrowings	519.8	529.7	546.0	534.3	556.1	546.0	548.3	562.8	543.1	570.5	556.2
26 Other liabilities	226.0	225.2	236.0	239.8	223.8	227.4	228.1	220.0	235.3	234.3	228.5
27 Residual (assets less liabilities)	210.3	206.3	207.4	208.0	207.1	208.9	210.7	211.9	212.0	214.0	214.5
MEMO											
28 U.S. government securities (including trading account)	377.2	389.6	394.8	390.7	412.6	418.6	419.5	423.4	425.4	430.2	437.3
29 Other securities (including trading account)	182.5	181.7	181.1	181.8	180.6	179.7	180.0	179.1	178.4	178.0	175.8
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,477.6	2,511.0	2,531.2	2,540.4	2,552.7	2,559.7	2,562.4	2,573.1	2,576.6	2,594.3	2,600.7
31 Investment securities	519.1	521.3	522.6	523.3	534.2	540.6	544.6	548.2	554.2	554.3	553.4
32 U.S. government securities	355.4	359.4	362.6	363.3	374.7	382.1	387.4	393.7	399.7	402.3	402.1
33 Other	163.7	161.9	160.0	160.1	159.5	158.5	157.2	154.5	154.6	152.0	151.3
34 Trading account assets	18.3	26.6	27.6	23.4	31.9	30.4	26.0	23.9	21.3	23.7	27.2
35 Total loans	1,940.2	1,963.2	1,981.0	1,993.7	1,986.5	1,988.7	1,991.7	2,001.0	2,001.0	2,016.4	2,020.0
36 Interbank loans	130.7	140.7	148.4	152.8	151.4	149.8	148.6	149.4	145.2	153.1	153.6
37 Loans excluding interbank	1,809.5	1,822.5	1,832.5	1,840.9	1,835.1	1,838.9	1,843.1	1,851.6	1,855.9	1,863.2	1,866.4
38 Commercial and industrial	511.3	515.7	516.9	516.9	513.4	517.7	518.9	523.3	519.6	519.6	516.1
39 Real estate	713.0	718.0	725.0	729.7	731.6	736.5	743.1	746.7	756.7	761.2	768.2
40 Individual	373.8	374.3	376.8	382.4	381.4	378.0	374.7	376.4	377.0	377.4	375.4
41 All other	211.4	214.4	213.9	211.9	208.7	206.8	206.4	205.2	202.6	205.1	206.7
42 Total cash assets	194.9	188.7	206.7	231.7	198.2	203.1	191.1	191.5	214.7	199.0	190.5
43 Reserves with Federal Reserve Banks	29.5	26.7	37.9	41.7	22.7	27.5	29.8	29.8	26.6	30.8	28.8
44 Cash in vault	27.9	27.8	30.6	31.5	28.0	27.8	27.8	28.5	29.9	28.9	28.8
45 Cash items in process of collection	81.3	76.3	82.3	97.5	88.3	90.2	78.5	78.7	99.2	84.2	77.9
46 Demand balances at U.S. depository institutions	26.8	26.4	26.6	30.2	27.7	28.9	25.9	24.8	30.3	26.1	25.7
47 Other cash assets	29.3	31.6	29.3	30.8	31.4	28.6	29.1	29.6	28.7	28.9	29.2
48 Other assets	140.1	131.0	137.1	140.9	143.2	139.6	136.4	135.0	137.5	141.9	138.5
49 Total assets/liabilities and capital	**2,812.5**	**2,830.8**	**2,875.0**	**2,913.0**	**2,894.0**	**2,902.4**	**2,889.9**	**2,899.5**	**2,928.8**	**2,935.3**	**2,929.7**
50 Deposits	2,095.8	2,113.8	2,140.8	2,184.3	2,160.7	2,175.6	2,165.0	2,170.0	2,205.9	2,191.7	2,201.2
51 Transaction deposits	576.6	576.1	590.5	631.3	600.8	605.7	584.2	590.8	607.8	588.2	580.3
52 Savings deposits	515.8	523.0	532.8	535.4	537.7	542.9	548.2	545.1	550.8	552.6	557.5
53 Time deposits	1,003.4	1,014.7	1,017.5	1,017.7	1,022.2	1,027.0	1,032.6	1,034.1	1,047.3	1,051.0	1,063.4
54 Borrowings	392.4	395.1	406.8	400.6	407.3	397.3	395.9	402.8	389.1	408.5	393.7
55 Other liabilities	117.5	119.2	123.6	123.7	122.5	124.2	122.0	118.4	125.4	124.7	123.9
56 Residual (assets less liabilities)	206.7	202.7	203.7	204.4	203.4	205.3	207.1	208.3	208.4	210.4	210.9
MEMO											
57 Real estate loans, revolving	47.6	48.0	48.6	49.3	50.4	50.8	51.2	52.4	53.3	54.3	55.4
58 Real estate loans, other	665.4	670.1	676.4	680.4	681.1	685.7	691.9	694.3	703.4	706.9	712.8

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

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

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

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

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

Millions of dollars, Wednesday figures

Account	1990								
	May 30	June 6r	June 13r	June 20r	June 27r	July 4	July 11	July 18	July 25
1 Cash and balances due from depository institutions	123,112	112,508	114,579	111,026	113,097	125,786	109,748	107,704	105,938
2 **Total loans, leases, and securities, net**	**1,287,570r**	**1,293,485**	**1,297,378**	**1,305,110**	**1,297,624**	**1,301,236**	**1,295,202**	**1,305,249**	**1,300,853**
3 U.S. Treasury and government agency	173,383r	178,508	177,647	179,098	174,598	176,680	176,636	180,024	178,155
4 Trading account	13,100r	17,636	16,593	17,551	13,890	16,182	16,123	19,744	18,727
5 Investment account	160,282r	160,873	161,054	161,547	160,708	160,499	160,513	160,280	159,428
6 Mortgage-backed securities[2]	79,437r	79,664	79,749	80,447	78,735	79,249	79,577	79,365	79,459
All other maturing in									
7 One year or less	23,207r	23,021	22,972	22,898	22,917	21,936	21,785	21,252	20,253
8 Over one through five years	34,803	35,204	35,219	35,084	35,596	35,066	35,103	35,444	35,852
9 Over five years	22,835r	22,983	23,114	23,118	23,459	24,248	24,048	24,219	23,865
10 *Other securities*	*62,709r*	*62,535*	*62,241*	*62,423*	*62,574*	*62,221*	*62,214*	*62,061*	*61,745*
11 Trading account	787	781	864	942	1,472	1,149	1,061	830	709
12 Investment account	61,922r	61,754	61,376	61,481	61,102	61,072	61,153	61,231	61,036
13 States and political subdivisions, by maturity	34,090r	33,812	33,479	33,266	33,024	32,477	32,363	32,340	32,311
14 One year or less	3,957r	3,931	3,965	3,814	3,708	3,466	3,533	3,524	3,536
15 Over one year	30,132	29,881	29,514	29,453	29,316	29,011	28,830	28,815	28,775
16 Other bonds, corporate stocks, and securities	27,832r	27,941	27,897	28,214	28,078	28,595	28,790	28,891	28,725
17 Other trading account assets	7,345r	8,305	8,502	8,423	8,316	7,847	8,232	7,995	7,800
18 Federal funds sold[3]	70,429r	69,815	75,395	79,393	78,847	77,109	74,190	78,089	78,580
19 To commercial banks	51,496	48,632	53,566	57,645	59,643	58,799	55,242	56,283	56,049
20 To nonbank brokers and dealers in securities	13,390	15,316	16,152	16,464	13,925	13,948	14,640	17,196	17,967
21 To others	5,542r	5,867	5,677	5,285	5,279	4,362	4,308	4,610	4,564
22 Other loans and leases, gross	1,015,184r	1,015,691	1,014,895	1,016,981	1,014,207	1,016,636	1,013,028	1,016,268	1,013,674
23 Other loans, gross	988,215r	989,080	988,334	990,418	987,609	989,942	986,362	989,511	986,946
24 Commercial and industrial	322,692r	323,162	322,232	323,344	321,949	322,688	321,588	320,932	319,400
25 Bankers acceptances and commercial paper	1,604	1,777	1,679	1,672	1,680	1,598	1,557	1,604	1,596
26 All other	321,088r	321,386	320,553	321,672	320,269	321,090	320,030	319,328	317,804
27 U.S. addressees	319,731r	320,087	319,254	320,402	319,014	319,666	318,498	317,932	316,352
28 Non-U.S. addressees	1,357r	1,298	1,298	1,270	1,255	1,424	1,532	1,396	1,452
29 Real estate loans	371,754r	372,794	373,761	374,340	373,509	375,532	376,150	376,826	377,431
30 Revolving, home equity	29,594	29,700	29,839	30,005	30,126	30,168	30,325	30,446	30,459
31 All other	342,159r	343,094	343,922	344,335	343,383	345,364	345,825	346,380	346,972
32 To individuals for personal expenditures	174,689	173,074	173,240	173,710	174,188	172,341	172,326	172,555	173,039
33 To depository and financial institutions	52,593	51,841	50,891	49,969	49,190	49,618	49,839	50,994	49,630
34 Commercial banks in the United States	24,552	23,859	23,053	22,289	21,399	21,947	21,704	23,087	23,044
35 Banks in foreign countries	5,220	4,313	4,440	3,874	4,096	4,318	4,236	4,081	3,539
36 Nonbank depository and other financial institutions	22,821	23,668	23,399	23,806	23,694	23,353	23,900	23,826	23,047
37 For purchasing and carrying securities	13,526	14,827	14,524	14,915	15,784	13,729	13,512	14,558	14,924
38 To finance agricultural production	5,875	5,918	5,969	6,029	6,037	6,128	6,160	6,167	6,174
39 To states and political subdivisions	23,716	23,675	23,549	23,463	23,233	23,182	22,869	22,788	22,712
40 To foreign governments and official institutions	1,497r	1,442	1,608	1,462	1,378	1,439	1,477	1,532	1,455
41 All other	21,873r	22,347	22,559	23,187	22,341	25,285	22,441	23,159	22,180
42 Lease financing receivables	26,969	26,611	26,562	26,563	26,598	26,694	26,666	26,758	26,728
43 Less: Unearned income	4,552	4,565	4,572	4,571	4,584	4,433	4,434	4,448	4,442
44 Loan and lease reserve[4]	36,927	36,804	36,729	36,638	36,335	34,825	34,664	34,740	34,661
45 Other loans and leases, net	973,704r	974,322	973,594	975,772	973,289	977,378	973,929	977,080	974,571
46 All other assets	129,699	131,048	131,033	130,461	134,217	138,881	135,244	130,584	128,535
47 **Total assets**	**1,540,381r**	**1,537,041**	**1,542,990**	**1,546,597**	**1,544,937**	**1,565,903**	**1,540,193**	**1,543,536**	**1,535,326**
48 Demand deposits	234,468	224,364	224,483	224,425	221,284	249,449	222,524	225,249	214,943
49 Individuals, partnerships, and corporations	183,159	179,025	181,882	177,207	174,215	199,742	179,819	178,114	171,181
50 States and political subdivisions	6,133	5,967	5,467	6,744	6,275	6,767	5,732	6,222	6,280
51 U.S. government	1,472	2,870	2,187	6,383	3,562	2,164	3,108	4,258	2,660
52 Depository institutions in the United States	23,849	20,506	19,036	19,936	19,707	24,938	19,891	20,709	20,003
53 Banks in foreign countries	7,385	5,840	5,952	5,207	6,172	6,312	5,521	5,902	5,611
54 Foreign governments and official institutions	818	657	686	649	633	706	681	702	586
55 Certified and officers' checks	11,652	9,499	9,272	8,299	10,719	8,820	7,772	9,342	8,622
56 Transaction balances other than demand deposits	80,102	83,389	81,781	80,109	79,048	83,192	79,539	78,418	77,466
57 Nontransaction balances	740,894r	744,511	745,162	742,467	742,024	753,626	753,295	753,090	752,162
58 Individuals, partnerships, and corporations	701,900r	705,858	706,795	703,809	703,418	716,723	716,334	716,364	715,254
59 States and political subdivisions	30,879r	30,715	30,466	30,958	30,886	29,277	29,319	29,083	29,045
60 U.S. government	809	798	802	808	805	829	829	841	841
61 Depository institutions in the United States	6,777r	6,606	6,558	6,392	6,416	6,299	6,330	6,336	6,552
62 Foreign governments, official institutions, and banks	529	534	541	500	499	497	482	465	470
63 Liabilities for borrowed money	288,574r	290,969	297,170	306,188	305,052	285,008	291,164	291,396	293,387
64 Borrowings from Federal Reserve Banks	797	150	5,032	0	25	20	0	0	1,490
65 Treasury tax-and-loan notes	7,670	3,236	1,673	22,329	21,636	2,313	3,923	7,953	12,029
66 All other liabilities for borrowed money[5]	280,107r	287,583	290,465	283,859	283,391	282,674	287,242	283,443	279,868
67 Other liabilities and subordinated notes and debentures	93,691r	90,022	90,210	89,130	93,373	90,390	88,670	90,656	92,807
68 **Total liabilities**	**1,437,729r**	**1,433,255**	**1,438,805**	**1,442,320**	**1,440,781**	**1,461,665**	**1,435,193**	**1,438,810**	**1,430,765**
69 Residual (total assets minus total liabilities)[6]	102,652	103,786	104,185	104,277	104,156	104,238	105,000	104,726	104,560
Memo									
70 Total loans and leases (gross) and investments adjusted[7]	1,253,001r	1,262,363	1,262,062	1,266,385	1,257,500	1,259,748	1,257,354	1,265,067	1,260,862
71 Total loans and leases (gross) adjusted[7]	1,009,564r	1,013,016	1,013,672	1,016,441	1,012,012	1,012,999	1,010,272	1,014,987	1,013,161
72 Time deposits in amounts of $100,000 or more	214,996r	215,000	213,880	213,266	212,413	214,143	214,470	214,936	214,729
73 U.S. Treasury securities maturing in one year or less	19,341	20,048	20,551	21,431	19,648	19,280	20,212	20,679	19,707
74 Loans sold outright to affiliates—total[8]	310	312	304	277	273	300	290	298	298
75 Commercial and industrial	161	160	156	156	155	144	140	145	145
76 Other	149	151	148	120	118	155	150	153	154
77 Nontransaction savings deposits (including MMDAs)	281,008	283,771	285,168	282,285	281,977	287,077	286,132	285,266	284,606

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

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

Millions of dollars, Wednesday figures

Account	1990								
	May 30	June 6	June 13	June 20	June 27	July 4	July 11	July 18	July 25
1 Cash balances due from depository institutions	28,161	22,378	26,726	22,839	25,658	24,753	22,098	22,354	23,013
2 **Total loans, leases, and securities, net**[2]	**218,334**	**216,989**	**217,980**	**218,900**	**219,108**	**219,993**	**215,469**	**220,749**	**220,615**
Securities									
3 U.S. Treasury and government agency[3]	0	0	0	0	0	0	0	0	0
4 Trading account[3]	0	0	0	0	0	0	0	0	0
5 Investment account	23,258r	23,376	23,343	23,322	23,238	22,309	22,592	22,668	22,672
6 Mortgage-backed securities[4]	12,301r	12,465r	12,462r	12,455r	11,287r	11,242	11,307	11,289	11,294
All other maturing in									
7 One year or less	3,718	3,718	3,716	3,715	3,908	3,033	3,134	3,226	3,226
8 Over one through five years	3,325	3,299	3,273	3,269	3,874	3,776	3,832	3,834	3,812
9 Over five years	3,914r	3,894r	3,892r	3,883r	4,169r	4,259	4,319	4,319	4,339
10 Other securities[3]	0	0	0	0	0	0	0	0	0
11 Trading account[3]	0	0	0	0	0	0	0	0	0
12 Investment account	12,797r	12,735	12,679	13,134	13,042	12,960	13,174	13,143	13,199
13 States and political subdivisions, by maturity	6,549r	6,432r	6,361r	6,330r	6,277	6,199	6,174	6,167	6,210
14 One year or less	569r	566r	573r	571r	582	547	547	552	596
15 Over one year	5,980	5,866	5,788	5,759	5,694	5,652	5,627	5,616	5,614
16 Other bonds, corporate stocks, and securities	6,248r	6,303r	6,318r	6,804r	6,764	6,761	7,001	6,976	6,989
17 Other trading account assets[3]	0	0	0	0	0	0	0	0	0
Loans and leases									
18 Federal funds sold[5]	18,194	16,491	18,296	18,173	21,060	21,209	17,345	19,842	21,002
19 To commercial banks	10,594	7,546	9,434	9,346	13,169	13,415	9,769	10,500	10,777
20 To nonbank brokers and dealers in securities	4,770	5,981	6,262	6,110	5,253	5,526	5,401	7,150	7,913
21 To others	2,829	2,964	2,600	2,716	2,638	2,267	2,175	2,192	2,312
22 Other loans and leases, gross	182,236	182,320	181,585	182,201	179,648	179,997	178,575	181,267	179,905
23 Other loans, gross	176,608	176,766	176,048	176,676	174,138	174,480	173,076	175,668	174,320
24 Commercial and industrial	58,487	58,328	58,004	58,083	56,826	56,943	57,037	57,678	57,293
25 Bankers acceptances and commercial paper	112	99	113	134	116	108	116	111	116
26 All other	58,376	58,229	57,891	57,949	56,710	56,835	56,921	57,567	57,177
27 U.S. addressees	57,819	57,722	57,366	57,450	56,223	56,153	56,140	56,876	56,470
28 Non-U.S. addressees	557	507	526	499	487	682	781	691	706
29 Real estate loans	62,798	62,928	62,991	63,243	62,741	62,603	62,639	62,901	62,753
30 Revolving, home equity	4,064	4,070	4,078	4,089	4,094	4,091	4,093	4,098	4,115
31 All other	58,733	58,858	58,913	59,154	58,648	58,512	58,546	58,803	58,638
32 To individuals for personal expenditures	19,986	20,005	20,033	19,523	19,514	19,747	19,794	19,819	19,883
33 To depository and financial institutions	20,419	19,935	19,443	19,854	18,781	18,948	18,925	19,157	18,830
34 Commercial banks in the United States	7,908	7,933	7,474	8,150	7,025	7,817	7,342	7,564	7,761
35 Banks in foreign countries	4,232	3,393	3,441	2,933	3,203	3,260	3,354	3,168	2,765
36 Nonbank depository and other financial institutions	8,278	8,610	8,528	8,771	8,552	7,871	8,228	8,424	8,304
37 For purchasing and carrying securities	4,222	4,808	4,698	5,105	5,722	4,421	4,117	4,977	5,101
38 To finance agricultural production	138	137	139	136	135	140	135	145	133
39 To states and political subdivisions	5,125	5,248	5,104	5,028	4,988	4,933	4,859	4,822	4,779
40 To foreign governments and official institutions	294	265	434	292	211	272	330	396	310
41 All other	5,140	5,112	5,202	5,412	5,219	6,472	5,238	5,772	5,238
42 Lease financing receivables	5,628	5,554	5,538	5,525	5,511	5,516	5,499	5,599	5,585
43 Less: Unearned income	1,812	1,817	1,819	1,825	1,828	1,806	1,812	1,834	1,837
44 Loan and lease reserve	16,341	16,116	16,106	16,105	16,052	14,676	14,405	14,337	14,326
45 Other loans and leases, net[6]	164,084	164,387	163,661	164,271	161,769	163,515	162,358	165,096	163,741
46 All other assets[7]	50,836	54,466	54,250	54,880	54,367	56,619	56,792	58,965	56,114
47 **Total assets**	**297,330**	**293,834**	**298,955**	**296,619**	**299,133**	**301,366**	**294,360**	**302,068**	**299,742**
Deposits									
48 Demand deposits	52,878	47,289	48,137	47,308	48,995	53,687	45,506	49,478	45,401
49 Individuals, partnerships, and corporations	35,220	33,128	34,514	33,632	32,555	39,732	33,028	33,638	31,096
50 States and political subdivisions	567	610	505	660	948	1,025	629	911	736
51 U.S. government	217	406	160	951	602	214	574	683	441
52 Depository institutions in the United States	4,793	4,531	3,718	4,441	4,746	4,782	4,183	5,154	5,188
53 Banks in foreign countries	5,999	4,582	4,819	4,056	4,831	5,046	4,334	4,628	4,302
54 Foreign governments and official institutions	637	517	554	517	497	560	551	554	448
55 Certified and officers' checks	5,445	3,514	3,865	3,049	4,814	2,329	2,206	3,911	3,191
56 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	8,642	8,879	8,784	8,675	8,651	9,040	8,753	8,660	8,514
57 Nontransaction balances	116,634r	117,397r	118,126r	116,655	115,765	118,212	116,805	117,186	116,567
58 Individuals, partnerships, and corporations	108,279r	109,044r	109,873r	108,244	107,393	109,912	108,477	108,938	108,271
59 States and political subdivisions	6,234	6,212	6,062	6,309	6,258	6,171	6,179	6,117	6,157
60 U.S. government	35	37	39	39	37	36	41	40	39
61 Depository institutions in the United States	1,844	1,853	1,904	1,855	1,869	1,883	1,906	1,902	1,900
62 Foreign governments, official institutions, and banks	242	251	248	207	208	209	202	189	199
63 Liabilities for borrowed money	60,832r	62,795r	68,351r	66,905	64,932	62,600	66,092	66,347	67,419
64 Borrowings from Federal Reserve Banks	0	0	3,834	0	0	0	0	0	1,000
65 Treasury tax-and-loan notes	1,488	738	363	5,167	4,918	411	747	1,691	2,534
66 All other liabilities for borrowed money[8]	59,344r	62,057r	64,154r	61,739	60,014	62,188	65,345	64,656	63,885
67 Other liabilities and subordinated notes and debentures	34,182	32,676	30,574	32,196	35,997	32,726	31,796	35,205	36,532
68 **Total liabilities**	**273,168**	**269,036**	**273,972**	**271,739**	**274,340**	**276,265**	**268,952**	**276,876**	**274,433**
69 Residual (total assets minus total liabilities)[9]	24,162	24,798	24,984	24,880	24,793	25,100	25,408	25,191	25,309
Memo									
70 Total loans and leases (gross) and investments adjusted[2,10]	217,984	219,444	218,996	219,334	216,794	215,242	214,575	218,856	218,241
71 Total loans and leases (gross) adjusted[10]	181,928	183,332	182,973	182,877	180,514	179,972	178,809	183,045	182,369
72 Time deposits in amounts of $100,000 or more	39,354r	39,837r	38,999r	39,229	38,640	39,934	39,178	39,619	39,666
73 U.S. Treasury securities maturing in one year or less	1,827	2,188	2,223	2,415	2,033	2,301	2,611	2,891	2,897

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

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

Millions of dollars, Wednesday figures

Account	1990								
	May 30r	June 6r	June 13r	June 20r	June 27r	July 4	July 11	July 18	July 25
1 Cash and due from depository institutions	15,058	14,272	14,561	13,816	14,587	13,731	14,202	13,810	14,408
2 Total loans and securities	152,956	151,229	155,851	155,268	157,479	157,299	157,011	156,559	156,214
3 U.S. Treasury and government agency securities	9,419	10,086	10,241	10,378	10,505	10,198	10,112	10,166	10,642
4 Other securities	6,933	6,910	7,003	7,035	7,117	7,111	7,122	6,979	7,079
5 Federal funds sold[2]	10,678	6,194	9,091	8,016	9,563	9,041	10,376	8,369	8,771
6 To commercial banks in the United States	9,449	4,511	7,720	6,728	8,592	7,740	9,310	7,053	7,674
7 To others	1,229	1,683	1,371	1,288	971	1,301	1,066	1,316	1,097
8 Other loans, gross	125,926	128,039	129,516	129,839	130,294	130,949	129,401	131,045	129,722
9 Commercial and industrial	75,717	77,351	77,880	77,409	77,985	78,182	76,577	77,218	76,002
10 Bankers acceptances and commercial paper	2,306	2,446	2,540	2,431	2,328	2,627	2,414	2,054	1,979
11 All other	73,411	74,905	75,340	74,978	75,657	75,555	74,163	75,164	74,023
12 U.S. addressees	71,938	73,426	73,980	73,569	74,238	74,169	72,830	73,795	72,671
13 Non-U.S. addressees	1,473	1,479	1,360	1,409	1,419	1,386	1,333	1,369	1,352
14 Loans secured by real estate[3]	22,475	22,467	22,706	22,880	22,942	23,167	23,295	23,408	23,559
15 To financial institutions	24,968	25,549	25,549	26,108	26,100	26,068	26,034	26,358	26,491
16 Commercial banks in the United States	18,684	19,052	19,512	20,130	20,042	19,983	19,714	20,240	20,534
17 Banks in foreign countries	1,668	1,847	1,388	1,270	1,283	1,232	1,353	1,244	1,117
18 Nonbank financial institutions	4,616	4,650	4,649	4,708	4,775	4,853	4,967	4,874	4,840
19 To foreign governments and official institutions	185	191	207	238	226	225	223	212	212
20 For purchasing and carrying securities	1,231	1,091	1,403	1,675	1,506	1,704	1,456	2,178	1,831
21 All other[3]	1,350	1,390	1,771	1,529	1,535	1,603	1,816	1,671	1,627
22 Other assets (claims on nonrelated parties)	32,550	33,667	33,580	32,984	32,950	33,581	33,108	33,280	33,380
23 Net due from related institutions	10,396	13,284	12,722	16,265	13,319	15,000	14,221	14,183	12,423
24 Total assets	210,960	212,456	216,714	218,334	218,334	219,610	218,543	217,832	216,425
25 Deposits or credit balances due to other than directly related institutions	50,178	50,567	50,910	51,064	51,180	50,734	50,545	50,886	49,768
26 Transaction accounts and credit balances[4]	3,872	3,877	3,776	4,423	4,572	4,282	4,043	4,383	4,019
27 Individuals, partnerships, and corporations	2,684	2,689	2,628	2,703	2,683	2,840	2,737	2,839	2,724
28 Other	1,188	1,188	1,148	1,720	1,889	1,442	1,306	1,544	1,295
29 Nontransaction accounts[5]	46,306	46,690	47,134	46,641	46,608	46,452	46,502	46,503	45,749
30 Individuals, partnerships, and corporations	38,823	39,372	39,166	38,943	38,976	38,874	38,679	38,717	37,747
31 Other	7,483	7,318	7,968	7,698	7,632	7,578	7,823	7,786	8,002
32 Borrowings from other than directly related institutions	100,065	103,392	105,739	108,265	107,205	109,440	108,973	111,877	107,066
33 Federal funds purchased[6]	44,154	47,181	49,464	52,450	48,681	52,086	51,954	53,016	50,036
34 From commercial banks in the United States	18,934	20,062	21,646	23,883	24,849	25,766	23,474	26,559	23,845
35 From others	25,220	27,119	27,818	28,567	23,832	26,320	28,480	26,457	26,191
36 Other liabilities for borrowed money	55,911	56,211	56,275	55,815	58,524	57,354	57,019	58,861	57,030
37 To commercial banks in the United States	32,297	32,461	32,688	32,146	32,874	32,348	32,040	32,436	32,547
38 To others	23,614	23,750	23,587	23,669	25,650	25,006	24,979	26,425	24,483
39 Other liabilities to nonrelated parties	32,316	33,177	32,687	32,282	32,168	32,488	32,282	32,421	32,245
40 Net due to related institutions	28,400	25,320	27,376	26,723	27,781	26,947	26,744	22,646	27,347
41 Total liabilities	210,960	212,456	216,714	218,334	218,334	219,610	218,543	217,832	216,425
MEMO									
42 Total loans (gross) and securities adjusted[7]	124,823	127,666	128,619	128,410	128,845	129,576	127,987	129,266	128,006
43 Total loans (gross) adjusted[7]	108,471	110,670	111,375	110,997	111,223	112,267	110,753	112,121	110,285

1. Effective Jan. 4, 1989, the reporting panel includes a new group of large U.S. branches and agencies of foreign banks. Earlier data included 65 U.S. branches and agencies of foreign banks that included those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Includes securities purchased under agreements to resell.
3. Effective Jan. 4, 1989, loans secured by real estate are being reported as a separate component of Other loans, gross. Formerly, these loans were included in "All other", line 21.
4. Includes credit balances, demand deposits, and other checkable deposits.
5. Includes savings deposits, money market deposit accounts, and time deposits.
6. Includes securities sold under agreements to repurchase.
7. Exclusive of loans to and federal funds sold to commercial banks in the United States.

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

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

Type of holder	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989 Mar.	1989 June	1989 Sept.	1989 Dec.	1990 Mar.	1990 June
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**321.0**	**363.6**	**343.5**	**354.7**	**330.4**	**329.3**	**337.3**	**352.2**	**328.7**	
2 Financial business	32.3	41.4	36.3	38.6	36.3	33.0	33.7	33.8	34.1	
3 Nonfinancial business	178.5	202.0	191.9	201.2	182.2	185.9	190.4	202.5	183.3	n.a.
4 Consumer	85.5	91.1	90.0	88.3	87.4	86.6	87.9	90.3	86.6	
5 Foreign	3.5	3.3	3.4	3.7	3.7	2.9	2.9	3.1	3.0	
6 Other	21.2	25.8	21.9	22.8	20.7	21.0	22.4	22.5	21.7	
	Weekly reporting banks									
7 **All holders—Individuals, partnerships, and corporations**	**168.6**	**195.1**	**183.8**	**198.3**	**181.9**	**182.2**	**186.6**	**196.7**	**183.7**	**186.3**
8 Financial business	25.9	32.5	28.6	30.5	27.2	25.4	26.3	27.6	25.6	25.0
9 Nonfinancial business	94.5	106.4	100.0	108.7	98.6	99.8	101.6	108.8	100.1	101.7
10 Consumer	33.2	37.5	39.1	42.6	41.1	42.4	43.0	44.1	42.4	43.3
11 Foreign	3.1	3.3	3.3	3.6	3.3	2.9	2.8	3.0	2.8	2.9
12 Other	12.0	15.4	12.7	12.9	11.7	11.7	12.9	13.2	12.8	13.3

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

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

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

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

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

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May	1990 June
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**298,779**	**329,991**	**358,056**	**457,297**	**529,055**	**533,137**	**540,148**	**546,786**	**544,481**	**538,686**	**537,023**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	78,443	101,072	102,844	160,094	187,084	183,401	185,391	184,097	185,107	186,155	191,463
3 Bank-related (not seasonally adjusted)[3]	1,602	2,265	1,428	1,248	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	135,320	151,820	173,980	194,537	212,210	214,996	215,650	215,501	213,843	209,203	202,101
5 Bank-related (not seasonally adjusted)[3]	44,778	40,860	43,173	43,155	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies[5]	85,016	77,099	81,232	102,666	129,761	134,740	139,107	147,188	145,531	143,328	143,459
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**68,413**	**64,974**	**70,565**	**66,631**	**62,972**	**60,019**	**57,852**	**55,865**	**53,945**	**54,766**	**53,756**
Holder											
8 Accepting banks	11,197	13,423	10,943	9,086	9,433	9,954	10,351	9,574	9,200	9,000	9,987
9 Own bills	9,471	11,707	9,464	8,022	8,510	8,467	8,907	8,386	7,850	7,632	8,600
10 Bills bought	1,726	1,716	1,479	1,064	924	1,488	1,444	1,188	1,350	1,368	1,387
Federal Reserve Banks											
11 Own account	0	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	937	1,317	965	1,493	1,066	1,069	1,123	1,180	1,141	1,291	1,507
13 Others	56,279	50,234	58,658	56,052	52,473	48,996	46,379	45,111	43,604	44,475	42,262
Basis											
14 Imports into United States	15,147	14,670	16,483	14,984	15,651	15,100	14,522	14,418	13,413	13,993	14,799
15 Exports from United States	13,204	12,960	15,227	14,410	13,683	13,437	12,567	12,161	12,610	12,727	12,510
16 All other	40,062	37,344	38,855	37,237	33,638	31,482	30,764	29,286	27,922	28,046	26,447

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. Beginning January 1989, bank-related series have been discontinued.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Beginning January 1988, the number of respondents in the bankers acceptance survey were reduced from 155 to 111 institutions—those with $100 million or more in total acceptances. The panel is revised every January and currently has about 100 respondents. The current reporting group accounts for over 90 percent of total acceptances activity.

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

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1987— Apr. 1	7.75	1987	8.21	1988— Jan.	8.75	1989— May	11.50
May 1	8.00	1988	9.32	Feb.	8.51	June	11.07
15	8.25	1989	10.87	Mar.	8.50	July	10.98
Sept.4	8.75			Apr.	8.50	Aug.	10.50
Oct. 7	9.25	1987— Jan.	7.50	May	8.84	Sept.	10.50
22	9.00	Feb.	7.50	June	9.00	Oct.	10.50
Nov. 5	8.75	Mar.	7.50	July	9.29	Nov.	10.50
		Apr.	7.75	Aug.	9.84	Dec.	10.50
1988— Feb. 2	8.50	May	8.14	Sept.	10.00		
May 11	9.00	June	8.25	Oct.	10.00	1990— Jan.	10.11
July 14	9.50	July	8.25	Nov.	10.05	Feb.	10.00
Aug. 11	10.00	Aug.	8.25	Dec.	10.50	Mar.	10.00
Nov. 28	10.50	Sept.	8.70			Apr.	10.00
		Oct.	9.07	1989— Jan.	10.50	May	10.00
1989— Feb. 10	11.00	Nov.	8.78	Feb.	10.93	June	10.00
24	11.50	Dec.	8.75	Mar.	11.50	July	10.00
June 5	11.00			Apr.	11.50	Aug.	10.00
July 31	10.50						
1990— Jan. 8	10.00						

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

1.35 INTEREST RATES Money and Capital Markets

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

Instrument	1987	1988	1989	1990								
				Apr.	May	June	July	June 29	July 6	July 13	July 20	July 27
MONEY MARKET RATES												
1 Federal funds[1,2]	6.66	7.57	9.21	8.26	8.18	8.29	8.15	8.28	8.33	8.28	8.14	8.05
2 Discount window borrowing[1,2,3]	5.66	6.20	6.93	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Commercial paper[4,5]												
3 1-month	6.74	7.58	9.11	8.32	8.24	8.21	8.09	8.25	8.23	8.23	8.02	7.97
4 3-month	6.82	7.66	8.99	8.30	8.25	8.14	7.99	8.17	8.13	8.13	7.94	7.88
5 6-month	6.85	7.68	8.80	8.29	8.23	8.06	7.90	8.07	8.03	8.03	7.85	7.78
Finance paper, directly placed[4,5]												
6 1-month	6.61	7.44	8.99	8.23	8.14	8.12	7.99	8.16	8.13	8.15	7.91	7.88
7 3-month	6.54	7.38	8.72	8.13	8.12	8.01	7.87	8.04	8.01	8.01	7.82	7.77
8 6-month	6.37	7.14	8.16	7.74	8.04	7.79	7.66	7.83	7.82	7.81	7.60	7.53
Bankers acceptances[5,6]												
9 3-month	6.75	7.56	8.87	8.21	8.12	8.00	7.86	8.04	7.98	7.98	7.82	7.77
10 6-month	6.78	7.60	8.67	8.18	8.08	7.89	7.73	7.90	7.85	7.85	7.69	7.63
Certificates of deposit, secondary market[7]												
11 1-month	6.75	7.59	9.11	8.32	8.25	8.20	8.09	8.24	8.23	8.24	8.02	7.97
12 3-month	6.87	7.73	9.09	8.42	8.35	8.23	8.10	8.27	8.24	8.25	8.04	7.98
13 6-month	7.01	7.91	9.08	8.57	8.48	8.28	8.12	8.31	8.26	8.28	8.07	8.00
14 Eurodollar deposits, 3-month[8]	7.07	7.85	9.16	8.44	8.35	8.23	8.09	8.25	8.21	8.23	8.11	8.01
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	5.78	6.67	8.11	7.77	7.74	7.73	7.62	7.77	7.71	7.73	7.57	7.53
16 6-month	6.03	6.91	8.03	7.84	7.76	7.63	7.52	7.66	7.61	7.65	7.48	7.42
17 1-year	6.33	7.13	7.92	7.80	7.73	7.53	7.40	7.57	7.49	7.53	7.34	7.33
Auction average[10]												
18 3-month	5.82	6.68	8.12	7.78	7.78	7.74	7.66	7.78	7.73	7.81	7.62	7.49
19 6-month	6.05	6.92	8.04	7.82	7.82	7.64	7.57	7.67	7.60	7.75	7.52	7.40
20 1-year	6.33	7.17	7.91	7.72	8.05	7.65	7.52	n.a.	7.52	n.a.	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	6.77	7.65	8.53	8.40	8.32	8.10	7.94	8.13	8.06	8.09	7.87	7.85
22 2-year	7.42	8.10	8.57	8.72	8.64	8.35	8.16	8.36	8.25	8.30	8.12	8.07
23 3-year	7.68	8.26	8.55	8.78	8.69	8.40	8.26	8.42	8.33	8.39	8.23	8.21
24 5-year	7.94	8.47	8.50	8.77	8.74	8.43	8.33	8.45	8.36	8.43	8.31	8.30
25 7-year	8.23	8.71	8.52	8.81	8.78	8.52	8.46	8.55	8.48	8.54	8.44	8.43
26 10-year	8.39	8.85	8.49	8.79	8.76	8.48	8.47	8.51	8.44	8.53	8.47	8.48
27 30-year	8.59	8.96	8.45	8.76	8.73	8.46	8.50	8.49	8.44	8.53	8.51	8.54
Composite[13]												
28 Over 10 years (long-term)	8.64	8.98	8.58	8.92	8.90	8.62	8.64	8.65	8.60	8.69	8.66	8.67
State and local notes and bonds												
Moody's series[14]												
29 Aaa	7.14	7.36	7.00	7.04	6.97	6.88	6.96	6.95	6.95	6.98	6.94	6.95
30 Baa	8.17	7.83	7.40	7.43	7.37	7.11	7.13	7.10	7.10	7.16	7.11	7.15
31 *Bond Buyer* series[15]	7.63	7.68	7.23	7.39	7.35	7.24	7.19	7.27	7.24	7.21	7.17	7.15
Corporate bonds												
Seasoned issues[16]												
32 All industries	9.91	10.18	9.66	9.82	9.87	9.67	9.65	9.69	9.64	9.68	9.65	9.66
33 Aaa	9.38	9.71	9.26	9.46	9.47	9.26	9.24	9.27	9.23	9.26	9.24	9.26
34 Aa	9.68	9.94	9.46	9.64	9.70	9.49	9.47	9.52	9.46	9.51	9.47	9.46
35 A	9.99	10.24	9.74	9.89	9.89	9.70	9.69	9.70	9.68	9.71	9.70	9.70
36 Baa	10.58	10.83	10.18	10.30	10.41	10.22	10.20	10.25	10.20	10.23	10.19	10.19
37 A-rated, recently offered utility bonds[17]	9.96	10.20	9.79	10.09	10.04	9.85	9.96	9.92	10.00	9.94	9.99	9.94
MEMO: Dividend/price ratio[18]												
38 Preferred stocks	8.37	9.23	9.05	9.05	9.04	9.01	8.94	9.05	9.00	9.00	8.84	8.93
39 Common stocks	3.08	3.64	3.45	3.51	3.44	3.36	3.37	3.42	3.37	3.36	3.34	3.41

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

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

1.36 STOCK MARKET Selected Statistics

Indicator	1987	1988	1989	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May	1990 June	1990 July
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	161.78	149.97	180.13	188.50	192.67	187.96	182.55	186.26	185.61	191.35	196.68	196.61
2 Industrial	195.31	180.83	228.04	224.38	230.12	225.79	220.60	226.14	226.86	234.85	242.42	245.86
3 Transportation	140.52	134.09	174.90	174.26	177.25	173.67	166.69	175.08	173.54	173.53	177.37	173.18
4 Utility	74.29	72.22	94.33	94.95	99.73	95.69	92.15	92.99	91.92	93.29	93.65	89.85
5 Finance	146.48	127.41	162.01	160.89	155.63	150.11	142.68	143.14	138.57	142.94	147.93	143.11
6 Standard & Poor's Corporation (1941–43 = 10)[1]	287.00	265.88	323.05	340.22	348.57	339.97	330.45	338.47	338.18	350.25	360.39	360.03
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	316.78	295.08	356.67	371.92	373.87	367.40	355.30	360.77	353.32	353.82	361.62	359.09
Volume of trading (thousands of shares)												
8 New York Stock Exchange	188,922	161,386	165,568	144,389	160,671	172,420	155,960	149,240	140,062	163,486	153,634	160,490
9 American Stock Exchange	13,832	9,955	13,124	12,001	13,298	14,831	13,735	15,133	13,961	14,005	12,421	12,529
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker-dealers**[3]	**31,990**	**32,740**	**34,320**	**34,630**	**34,320**	**32,640**	**31,480**	**30,760**	**31,060**	**31,600**	**31,720**	**32,130**
Free credit balances at brokers[4]												
11 Margin-account[5]	4,750	5,660	7,040	5,815	7,040	6,755	6,575	6,525	6,465	6,215	6,490	6,385
12 Cash-account	15,640	16,595	18,505	16,345	18,505	17,370	16,200	16,510	15,375	15,470	15,625	17,035

	Margin requirements (percent of market value and effective date)[6]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

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

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

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1987	1988	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May
	SAIF-insured institutions											
1 **Assets**	**1,250,855**	**1,350,500**	**1,315,920**	**1,298,682**	**1,286,710[r]**	**1,277,191[r]**	**1,249,486[r]**	**1,236,989[r]**	**1,225,249[r]**	**1,223,340**		
2 Mortgages	721,593	764,513	760,786	755,427	748,780	745,091	733,883[r]	727,752[r]	721,154[r]	717,720		
3 Mortgage-backed securities	201,828	214,587	195,309	188,493	181,464[r]	176,386[r]	170,534[r]	169,392[r]	167,326[r]	167,701		
4 Contra-assets to mortgage assets[1]	42,344	37,950	27,433	27,085	25,950	24,976	25,468[r]	23,982[r]	22,349[r]	23,109		
5 Commercial loans	23,163	33,889	33,035	32,936	32,572	32,344	32,154	31,933	31,781	31,781		
6 Consumer loans	57,902	61,922	60,958	60,405	59,722	59,372	58,717[r]	57,186[r]	56,803[r]	56,789		
7 Contra-assets to nonmortgage loans[2]	3,467	3,056	3,163	3,129	3,107	3,194	3,503[r]	2,094[r]	2,240[r]	2,435		
8 Cash and investment securities	169,717	186,986	171,564	169,526	172,727	172,465[r]	166,020[r]	160,539[r]	157,307[r]	162,303	n.a.	n.a.
9 Other[3]	122,462	129,610	124,864	122,109	120,501	119,704[r]	117,149[r]	116,259[r]	115,475[r]	113,299		
10 **Liabilities and net worth**	**1,250,855**	**1,350,500**	**1,315,920**	**1,298,682**	**1,286,710[r]**	**1,277,191[r]**	**1,249,486[r]**	**1,236,989[r]**	**1,225,249[r]**	**1,223,340**		
11 Savings capital	932,616	971,700	960,344	958,901	948,500	946,655	945,651[r]	933,897[r]	926,424[r]	929,917		
12 Borrowed money	249,917	299,400	289,634	281,684	275,979	268,462	252,203[r]	252,844[r]	247,992[r]	246,852		
13 FHLBB	116,363	134,168	138,331	133,633	130,514	127,671	124,578	121,732	120,633[r]	117,467		
14 Other	133,554	165,232	151,303	148,051	145,465	140,791	127,625[r]	131,112[r]	127,359[r]	129,385		
15 Other	21,941	24,216	33,811	29,742	30,971	31,991	27,390[r]	26,944[r]	28,128[r]	25,987		
16 Net worth	n.a.	n.a.	32,130	28,355	31,260[r]	30,083[r]	24,241[r]	23,309[r]	22,706[r]	20,583		
	SAIF-insured federal savings banks											
17 *Assets*	***284,270***	***425,966***	***504,233***	***500,937***	***502,484***	***499,995***	***498,522***	**497,412**	**489,113**			
18 Mortgages	161,926	230,734	285,557	283,162	283,652	282,510	283,844	280,922	275,727			
19 Mortgage-backed securities	45,826	64,957	72,124	72,478	72,332	71,204	70,499	70,386	69,740			
20 Contra-assets to mortgage assets[1]	9,100	13,140	13,872	13,801	13,506	13,216	13,548	10,234	9,503			
21 Commercial loans	6,504	16,731	18,233	18,256	18,299	18,172	18,143	18,470	18,079			
22 Consumer loans	17,696	24,222	28,987	28,762	28,322	28,079	28,212	28,509	26,517			
23 Contra-assets to nonmortgage loans[2]	678	889	1,026	1,073	1,048	1,082	1,193	620	634			
24 Finance leases plus interest	591	880	1,076	1,092	1,085	1,092	1,101	n.a.	n.a.	n.a.	n.a.	n.a.
25 Cash and investment	35,347	61,029	65,040	64,073	65,193	65,191	64,538	62,730	61,767			
26 Other	24,069	35,412	40,542	40,659	40,799	40,852	39,981	40,317	40,710			
27 **Liabilities and net worth**	**284,270**	**425,966**	**504,233**	**500,937**	**502,484**	**499,995**	**498,522**	**497,412**	**489,113**			
28 Savings capital	203,196	298,197	352,158	353,474	355,923	355,874	360,547	360,285	353,385			
29 Borrowed money	60,716	99,286	117,973	115,627	114,231	111,369	108,448	109,028	106,237			
30 FHLBB	29,617	46,265	59,189	57,941	57,793	56,842	57,032	55,862	55,081			
31 Other	31,099	53,021	58,784	57,686	56,438	54,527	51,416	53,166	51,156			
32 Other	5,324	8,075	11,443	9,904	10,317	10,749	9,041	9,885	10,330			
33 Net worth	15,034	20,218	26,381	25,952	25,983	25,958	22,716	17,810	18,827			

1.37—Continued

Account	1987	1988	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May
	Credit unions[4]											
34 **Total assets/liabilities and capital**	n.a.	**174,593**	**180,035**	**181,812**	**181,527**	**182,856**	**183,688**	**183,301**	**186,119**	**192,718**	**193,208**	**195,020**
35 Federal	n.a.	114,566	117,463	118,746	118,887	119,682	120,666	120,489	122,885	126,690	127,250	128,648
36 State	n.a.	60,027	62,572	63,066	62,640	63,174	63,022	62,812	63,234	66,028	65,958	66,372
37 Loans outstanding	n.a.	113,191	120,577	122,522	122,997	122,899	122,608	122,332	121,968	121,660	122,616	123,205
38 Federal	n.a.	73,766	78,946	80,548	80,570	80,601	80,272	80,041	79,715	79,407	80,205	80,550
39 State	n.a.	39,425	41,631	41,874	42,427	42,298	42,336	42,291	42,253	42,253	42,411	42,655
40 Savings	n.a.	159,010	162,754	164,050	164,695	165,533	167,371	166,629	168,609	175,942	175,745	176,701
41 Federal	n.a.	104,431	106,038	106,633	107,588	108,319	109,653	109,818	111,246	115,714	115,554	116,402
42 State	n.a.	54,579	56,716	57,417	57,107	57,214	57,718	56,811	57,363	60,228	60,191	60,299
	Life insurance companies											
43 **Assets**	**1,044,459**	**1,166,870r**	**1,257,045**	**1,266,773**	**1,276,181**	**1,289,467**	**1,303,691**	n.a.	n.a.	n.a.	n.a.	n.a.
Securities												
44 Government	84,426	84,051	83,225	82,867	83,727	83,609	84,381	n.a.	n.a.	n.a.	n.a.	n.a.
45 United States[5]	57,078	58,564	56,978	56,684	57,726	57,290	58,169	n.a.	n.a.	n.a.	n.a.	n.a.
46 State and local	10,681	9,136	9,002	9,037	9,019	9,280	9,191	n.a.	n.a.	n.a.	n.a.	n.a.
47 Foreign[6]	16,667	16,351	17,245	17,146	16,982	17,039	17,021	n.a.	n.a.	n.a.	n.a.	n.a.
48 Business	569,199	660,416	735,441	742,537	748,075	758,803	777,415	n.a.	n.a.	n.a.	n.a.	n.a.
49 Bonds	472,684	556,043	614,585	621,856	628,695	637,690	642,445	n.a.	n.a.	n.a.	n.a.	n.a.
50 Stocks	96,515	104,373	120,856	120,681	119,380	121,113	134,970	n.a.	n.a.	n.a.	n.a.	n.a.
51 Mortgages	203,545	232,863	238,944	240,189	242,391	243,728	246,345	n.a.	n.a.	n.a.	n.a.	n.a.
52 Real estate	34,172	37,371	38,822	38,942	39,343	39,339	39,368	n.a.	n.a.	n.a.	n.a.	n.a.
53 Policy loans	53,626	54,236	56,077	56,403	56,727	56,916	57,141	n.a.	n.a.	n.a.	n.a.	n.a.
54 Other assets	89,586	93,358	104,536	105,835	105,918	107,072	110,284	n.a.	n.a.	n.a.	n.a.	n.a.

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

NOTE. *SAIF-insured institutions:* Estimates by the OTS for all institutions insured by the SAIF and based on the OTS thrift Financial Report.
SAIF-insured federal savings banks: Estimates by the OTS for federal savings banks insured by the SAIF and based on the OTS thrift Financial Report.
Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.
Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."
As of June 1989 Savings bank data are no longer available.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1987	Fiscal year 1988	Fiscal year 1989	Calendar year 1990					
				Feb.	Mar.	Apr.	May	June	July
U.S. budget[1]									
1 Receipts, total	854,143	908,166	990,701	65,170	64,819	139,624	69,212	110,614	72,357
2 On-budget	640,741	666,675	727,035	44,133	38,990	106,775	45,514	83,717	50,446
3 Off-budget	213,402	241,491	263,666	21,037	25,829	32,849	23,698r	26,897	21,911
4 Outlays, total	1,003,830	1,063,318	1,142,588r	100,437r	118,165r	97,865r	111,769r	121,842r	98,291
5 On-budget	809,998	860,627	931,367r	80,874r	97,642r	79,749r	91,818r	105,882r	79,844
6 Off-budget	193,832	202,691	211,221	19,563	20,523	18,116	19,951r	15,960r	18,447
7 Surplus, or deficit (−), total	−149,687	−155,152	−151,887r	−35,267r	−53,346r	41,760r	−42,558r	−11,228r	−25,934
8 On-budget	−169,257	−193,952	−204,332r	−36,741r	−58,652r	27,027r	−46,305r	−22,165r	−29,398
9 Off-budget	19,570	38,800	52,445	1,474	5,306	14,733	3,747	10,937	3,464
Source of financing (total)									
10 Borrowing from the public	151,717	166,139	140,811	18,221	56,090	−5,935	23,380	23,520r	24,233
11 Operating cash (decrease, or increase (−))	−5,052	−7,962	3,425	25,463	1,123	−20,830	25,594	−20,916	9,862
12 Other[2]	3,022	−3,025	7,651r	−8,417r	−3,867r	−14,995r	−6,416r	8,624r	−8,161
MEMO									
13 Treasury operating balance (level, end of period)	36,436	44,398	40,973	19,589	18,466	39,296	13,702	34,618	24,756
14 Federal Reserve Banks	9,120	13,023	13,452	6,613	4,832	5,205	4,426	5,470	6,369
15 Tax and loan accounts	27,316	31,375	27,521	12,976	13,634	34,091	9,276	29,148	18,387

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

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

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

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

Millions of dollars

Source or type	Fiscal year 1988	Fiscal year 1989	Calendar year 1988 H2	1989 H1	1989 H2	1990 H1	1990 May	1990 June	1990 July
RECEIPTS									
1 **All sources**	**908,166**	**990,701**	**449,330**	**527,574**	**470,329**	**548,977**	**69,212**	**110,614**	**72,357**
2 Individual income taxes, net	401,181	445,690	200,300	233,572	218,661	243,529	21,467	49,639	33,290
3 Withheld	341,435	361,386	179,600	174,230	193,296	190,219	32,548	31,469	32,211
4 Presidential Election Campaign Fund	33	32	4	28	3	30	6	5	31
5 Nonwithheld	132,199	154,839	29,880	121,563	33,303	118,241	7,235	19,573	2,783
6 Refunds	72,487	70,567	9,186	62,251	7,943	64,962	18,322	1,408	1,734
Corporation income taxes									
7 Gross receipts	109,683	117,015	56,409	61,585	52,269	58,830	2,461	19,513	3,364
8 Refunds	15,487	13,723	7,250	7,259	6,842	8,326	904	944	1,307
9 Social insurance taxes and contributions, net	334,335	359,416	157,603	200,127	162,574	210,476	37,450	34,326	29,610
10 Employment taxes and contributions[2]	305,093	332,859	144,983	184,569	152,407	195,269	29,869	33,694	27,554
11 Self-employment taxes and contributions[3]	17,691	18,504	3,032	16,371	1,947	19,017	1,472	2,934	0
12 Unemployment insurance	24,584	22,011	10,359	13,279	7,909	12,929	7,155	252	1,701
13 Other net receipts[4]	4,659	4,547	2,262	2,277	2,260	2,278	426	380	355
14 Excise taxes	35,604	34,386	19,299	16,814	16,844	18,188	3,743	3,566	3,053
15 Customs deposits	15,411	16,334	8,107	7,918	8,667	8,096	1,371	1,387	1,505
16 Estate and gift taxes	7,594	8,745	4,054	4,583	4,451	6,442	1,045	852	924
17 Miscellaneous receipts[5]	19,909	22,839	10,809	10,235	13,703	11,742	2,579	2,276	1,917
OUTLAYS									
18 **All types**	**1,063,318**	**1,142,588[r]**	**552,726[r]**	**565,422[r]**	**587,561[r]**	**641,364[r]**	**111,769[r]**	**121,842[r]**	**98,291**
19 National defense	290,361	303,551	150,496	148,098	149,613	152,733	26,339	27,870[r]	22,717
20 International affairs	10,471	9,596	2,627	6,567	6,029	6,770	1,204	578	28
21 General science, space, and technology	10,841	12,891	5,852	6,238	7,091	6,974	1,106	1,253	1,283
22 Energy	2,297	3,745	1,966	2,221	1,597[r]	1,504	396	230	211
23 Natural resources and environment	14,625	16,084	9,072	7,022	9,183	7,343	1,536	1,233	1,375
24 Agriculture	17,210	16,948	6,911	9,619	4,132	7,450	1,254	170	417
25 Commerce and housing credit	18,828	27,810	19,836	4,129	22,200	38,788	8,937	17,880	5,142
26 Transportation	27,272	27,623	14,922	12,953	14,982	13,754	2,452	2,421	2,683
27 Community and regional development	5,294	5,755	2,690	1,833	4,879	3,987	681	552	606
28 Education, training, employment, and social services	31,938	35,697	16,162	18,083	18,663	19,537	3,127	3,092	2,198
29 Health	44,490	48,391	23,360	24,078	25,339	29,488	5,098	5,249	5,103
30 Social security and medicare	297,828	317,506	149,017	162,195	162,322	175,997	29,372	32,538	30,226
31 Income security	129,332	136,765	64,978	70,937	67,950	78,456	13,031	11,023	11,786
32 Veterans benefits and services	29,406	30,066	15,797	14,891	14,864	15,217	2,608	3,742	1,269
33 Administration of justice	8,436	9,396	4,361	4,801	4,963	4,983	895	859	921
34 General government	9,518	8,940	5,137	3,858	4,760	4,916[r]	678	1,388[r]	807
35 General-purpose fiscal assistance	1,816	n.a.	0	0	n.a.	n.a.	n.a.	n.a.	n.a.
36 Net interest[6]	151,748	169,314	78,317	86,009	87,927	91,155	16,062	14,493	15,153
37 Undistributed offsetting receipts[7]	−36,967	−37,212	−18,771	−18,131	−18,935	−17,688	−3,002	−2,730	−3,634

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

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*, and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1990*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1988			1989				1990	
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
1 **Federal debt outstanding**	**2,555.1**	**2,614.6**	**2,707.3**	**2,763.6**	**2,824.0**	**2,881.1**	**2,975.5**	**3,081.9**	**3,175.5**
2 Public debt securities	2,547.7	2,602.2	2,684.4	2,740.9	2,799.9	2,857.4	2,953.0	3,052.0	3,143.8
3 Held by public	2,013.4	2,051.7	2,095.2	2,133.4	2,142.1	2,180.7	2,245.2	2,329.3	n.a.
4 Held by agencies	534.2	550.4	589.2	607.5	657.8	676.7	707.8	722.8	n.a.
5 Agency securities	7.4	12.4	22.9	22.7	24.0	23.7	22.5	29.9	n.a.
6 Held by public	7.0	12.2	22.6	22.3	23.6	23.5	22.4	29.8	n.a.
7 Held by agencies	.5	.2	.3	.4	.5	.1	.1	.2	n.a.
8 ***Debt subject to statutory limit***	***2,532.2***	***2,586.9***	***2,669.1***	***2,725.6***	***2,784.6***	***2,829.8***	***2,921.7***	***2,988.9***	***3,077.0***
9 Public debt securities	2,532.1	2,586.7	2,668.9	2,725.5	2,784.3	2,829.5	2,921.4	2,988.6	3,076.6
10 Other debt[1]	.1	.1	.2	.2	.2	.3	.3	.3	.4
11 MEMO: Statutory debt limit	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0	2,870.0	3,122.7	3,122.7	3,122.7

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

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

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

Billions of dollars, end of period

Type and holder	1986	1987	1988	1989	1989		1990	
					Q3	Q4	Q1	Q2
1 **Total gross public debt**	**2,214.8**	**2,431.7**	**2,684.4**	**2,953.0**	**2,857.4**	**2,953.0**	**3,052.0**	**3,143.8**
By type								
2 Interest-bearing debt	2,212.0	2,428.9	2,663.1	2,931.8	2,836.3	2,931.8	3,029.5	3,121.5
3 Marketable	1,619.0	1,724.7	1,821.3	1,945.4	1,892.8	1,945.4	1,995.3	2,028.0
4 Bills	426.7	389.5	414.0	430.6	406.6	430.6	453.1	453.5
5 Notes	927.5	1,037.9	1,083.6	1,151.5	1,133.2	1,151.5	1,169.4	1,192.7
6 Bonds	249.8	282.5	308.9	348.2	338.0	348.2	357.9	366.8
7 Nonmarketable[1]	593.1	704.2	841.8	986.4	943.5	986.4	1,034.2	1,093.5
8 State and local government series	110.5	139.3	151.5	163.3	158.6	163.3	163.5	164.3
9 Foreign issues[2]	4.7	4.0	6.6	6.8	6.8	6.8	37.1	36.4
10 Government	4.7	4.0	6.6	6.8	6.8	6.8	37.1	36.4
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 *Savings bonds and notes*	90.6	99.2	107.6	115.7	114.0	115.7	118.0	120.1
13 Government account series[3]	386.9	461.3	575.6	695.6	663.7	695.6	705.1	758.7
14 Non-interest-bearing debt	2.8	2.8	21.3	21.2	21.1	21.2	22.4	22.3
By holder[4]								
15 U.S. government agencies and trust funds	403.1	477.6	589.2	707.8	676.7	707.8	722.8	
16 Federal Reserve Banks	211.3	222.6	238.4	228.4	220.6	228.4	219.3	
17 Private investors	1,602.0	1,731.4	1,858.5	2,015.8	1,958.3	2,015.8	2,115.1	
18 Commercial banks	203.5	201.5	193.8	180.6	174.8	180.6	182.0	
19 Money market funds	28.0	14.6	11.8	14.4	12.9	14.4	31.3	
20 Insurance companies	105.6	104.9	107.3	107.9	105.8	107.9	108.0	
21 Other companies	68.8	84.6	87.1	93.8	93.5	93.8	95.0	n.a.
22 State and local Treasurys	262.8	284.6	313.6	337.1	332.2	337.1	338.0	
Individuals								
23 Savings bonds	92.3	101.1	109.6	117.7	115.7	117.7	119.9	
24 Other securities	70.4	71.3	79.2	93.8	93.5	93.8	95.0	
25 Foreign and international[5]	263.4	299.7	362.2	393.4	394.6	393.4	386.9	
26 Other miscellaneous investors[6]	506.6	569.1	593.9	674.3	632.4	674.3	754.9	

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

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

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

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

	Item	1987	1988	1989	1990			1990					
					Apr.	May^{r}	June	May 23	May 30	June 6	June 13	June 20	June 27
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**110,050**	**101,623**	**112,722**	**106,862**	**114,731**	**97,108^{r}**	**101,449^{r}**	**95,039^{r}**	**112,209**	**81,628**	**103,268**	**98,043**
	By maturity												
2	Bills	37,924	29,387	30,737	32,971	30,758	27,092^{r}	26,525^{r}	28,760^{r}	33,493	24,046	28,680	27,500
3	Other within 1 year	3,271	3,426	3,183	2,687	2,812	2,040	1,925	2,278	3,264	1,878	1,725	2,242
4	1–5 years	27,918	27,777	33,664	30,182	37,010	28,487	37,831^{r}	27,779^{r}	30,627	22,318	26,939	34,615
5	5–10 years	24,014	24,939	28,680	26,197	26,147	23,753^{r}	20,968^{r}	24,141^{r}	27,583	19,834	26,544	21,587
6	Over 10 years	16,923	16,093	16,458	14,825	18,005	15,737^{r}	14,200	12,081	17,242	13,552	19,380	12,099
	By type of customer												
7	U.S. government securities dealers	2,936	2,761	3,286	3,354	3,839	3,729	3,576	2,692	4,303	2,729	4,174	4,271
8	U.S. government securities brokers	61,539	59,844	66,419	59,618	65,588	54,890^{r}	58,751^{r}	54,281^{r}	62,601	46,253	57,445	55,991
9	All others[3]	45,575	39,019	43,016	43,890	45,304	38,490^{r}	39,121^{r}	38,067^{r}	45,305	32,647	41,648	37,782
10	Federal agency securities	18,084	15,903	18,626	19,751	17,994	18,446^{r}	13,284^{r}	15,006	16,586	21,630	19,351	16,265
11	Certificates of deposit	4,112	3,369	2,798	1,728	1,437	1,123	1,100	1,350	1,269	988	1,133	1,151
12	Bankers acceptances	2,965	2,316	2,222	1,532	1,390	1,182	1,247^{r}	1,306	1,271	1,169	1,245	1,059
13	Commercial paper	17,135	22,927	31,805	39,797	36,605	36,746	36,112	37,516	37,514	35,824	37,356	37,325
	Futures contracts[4]												
14	Treasury bills	3,233	2,627	2,525	2,607	2,022	1,846	1,431	1,563	2,471	1,555	1,275	2,157
15	Treasury coupons	8,963	9,695	9,602	9,798	10,780	9,819	10,481	8,557	11,510	7,258	12,238	7,922
16	Federal agency securities	5	1	8	12	12	47	20	0	5	21	150	1
	Forward transactions[5]												
17	U.S. Treasury securities	2,029	2,095	2,127	1,837	2,449	1,393	2,218	1,170	1,520	1,057	1,770	1,416
18	Federal agency securities	9,290	8,008	9,483	10,064	12,826	9,772	11,360	8,360	8,738	13,444	10,639	6,053

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

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

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

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

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

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

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

Averages of daily figures, in millions of dollars

	Item	1987	1988	1989	1990 Apr.	1990 May	1990 June	1990 May 30	1990 June 6	1990 June 13	1990 June 20	1990 June 27
							Positions					
	Net immediate[2]											
1	**U.S. Treasury securities**	**−6,216**	**−22,765**	**−5,940**	**−6,505**	**−14,464r**	**−6,800r**	**−10,777r**	**−3,620**	**−4,928**	**−7,653**	**−11,666**
2	Bills	4,317	2,238	7,835	9,820	2,705r	5,427r	1,059r	8,524	5,594	4,343	3,000
3	Other within 1 year	1,557	−2,236	−1,528	837	188r	2,071	210	1,093	2,202	2,598	1,972
4	1–5 years	649	−3,020	2,338	4,163	1,673	2,423	3,806	1,868	2,956	2,800	1,925
5	5–10 years	−6,564	−9,663	−8,133	−5,891	−3,701	−3,898r	−1,393	−1,801	−3,275	−4,447	−5,584
6	Over 10 years	−6,174	−10,084	−6,452	−15,434	−15,329	−12,822r	−14,459	−13,304	−12,404	−12,947	−12,979
7	Federal agency securities	31,911	28,230	31,913	34,928	36,214r	35,986	32,735r	32,300	37,041	39,291	34,116
8	Certificates of deposit	8,188	7,300	6,674	3,579	3,509	3,039	3,440	3,481	3,067	2,786	2,911
9	Bankers acceptances	3,660	2,486	2,089	1,277	1,080r	1,299	1,021	1,487	1,370	1,307	1,023
10	Commercial paper	7,496	6,152	8,242	7,492	7,410	9,312r	6,265	9,788	8,750	10,255	8,217
	Futures positions											
11	Treasury bills	−3,373	−2,210	−4,599	−7,017	−8,091	−5,961	−7,556	−7,553	−6,958	−4,784	−4,837
12	Treasury coupons	5,988	6,224	−2,918	−4,739	−5,604	−7,864r	−6,939	−7,793	−7,961	−7,466	−8,016
13	Federal agency securities	−95	0	14	22	22	183	5	10	109	272	305
	Forward positions											
14	U.S. Treasury securities	−1,211	346	−545	−1,188	−303r	767	308r	−153	4	1,268	1,864
15	Federal agency securities	−18,817	−16,348	−16,878	−12,146	−14,885r	−15,467	−12,732r	−12,083	−16,052	−19,099	−13,640
							Financing[3]					
	Reverse repurchase agreements[4]											
16	Overnight and continuing	126,709	136,327	157,955	160,104	161,523	154,644	155,850	155,318	162,631	151,271	149,491
17	Term	148,288	177,477	225,126	220,483	219,006	211,544	211,400	208,799	212,339	214,964	209,526
	Repurchase agreements[5]											
18	Overnight and continuing	170,763	172,695	219,083	227,829	218,348	217,596	214,737	215,525	219,932	216,806	217,708
19	Term	121,270	137,056	179,557	175,175	182,135	175,603	174,829	172,743	178,047	178,358	172,693

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

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

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

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

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

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

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1985	1986	1987	1988	1990				
					Feb.	Mar.	Apr.	May	June
1 **Federal and federally sponsored agencies**	**293,905**	**307,361**	**341,386**	**381,498**	**420,309**	**420,247**[r]	**423,481**	**424,082**	**422,261**
2 Federal agencies	36,390	36,958	37,981	35,668	42,974	42,492	42,526	42,482	42,016
3 Defense Department[1]	71	33	13	8	7	7	7	7	7
4 Export-Import Bank[2,3]	15,678	14,211	11,978	11,033	10,985	11,017	11,017	11,017	11,151
5 Federal Housing Administration[4]	115	138	183	150	280	318	352	365	394
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	1,615	0	0	0	0	0	0
7 Postal Service[6]	1,940	3,104	6,103	6,142	6,445	6,445	6,445	6,148	6,148
8 Tennessee Valley Authority	16,347	17,222	18,089	18,335	25,257	24,705	24,705	24,945	24,316
9 United States Railway Association[6]	74	85	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	257,515	270,553	303,405	345,830	377,335	377,755	380,955	381,600	380,245
11 Federal Home Loan Banks	74,447	88,758	115,727	135,836	132,975	131,526	127,401	125,515	123,021
12 Federal Home Loan Mortgage Corporation	11,926	13,589	17,645	22,797	25,017	26,152	28,789	30,444	31,049
13 Federal National Mortgage Association	93,896	93,563	97,057	105,459	116,207	116,815	117,357	118,108	117,964
14 Farm Credit Banks[8]	68,851	62,478	55,275	53,127	53,790	53,732	53,700	53,795	53,451
15 Student Loan Marketing Association[9]	8,395	12,171	16,503	22,073	30,806	30,988	31,664	31,696	32,392
16 Financing Corporation[10]	0	0	1,200	5,850	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	0	0	0	690	847	847	847	847	1,172
18 Resolution Funding Corporation[12]	0	0	0	0	9,524	9,524	13,026	13,026	13,026
MEMO									
19 **Federal Financing Bank debt**[13]	**153,373**	**157,510**	**152,417**	**142,850**	**133,567**	**135,448**	**136,957**	**141,536**	**157,685**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	15,670	14,205	11,972	11,027	10,979	11,011	11,011	11,011	11,144
21 Postal Service[6]	1,690	2,854	5,853	5,892	6,195	6,195	6,195	5,898	5,898
22 Student Loan Marketing Association	5,000	4,970	4,940	4,910	4,880	4,880	4,880	4,880	4,880
23 Tennessee Valley Authority	14,622	15,797	16,709	16,955	15,877	15,325	15,325	15,565	14,936
24 United States Railway Association[6]	74	85	0	0	0	0	0	0	0
Other Lending[14]									
25 Farmers Home Administration	64,234	65,374	59,674	58,496	52,831	52,726	51,916	51,591	51,901
26 Rural Electrification Administration	20,654	21,680	21,191	19,246	19,219	19,221	19,191	19,182	19,168
27 Other	31,429	32,545	32,078	26,324	23,586	26,090	28,439	33,409	49,758

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown in line 17.
9. Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 21.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation (established in January 1988 to provide assistance to the Farm Credit System) undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.
14. 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.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1987	1988	1989	1989	1990						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 **All issues, new and refunding**[1]	**102,407**	**114,522**	**113,646**	**13,636**	**6,694**	**6,329**	**9,880**	**8,582**	**12,032**	**13,625**	**8,731**
Type of issue											
2 General obligation	30,589	30,312	35,774	2,158	2,675	3,010	3,199	3,386	3,166	4,426	2,847
3 Revenue	71,818	84,210	77,873	11,478	4,019	3,319	6,681	5,196	8,866	9,199	5,884
Type of issuer											
4 State	10,102	8,830	11,819	911	712	1,196	707	1,387	1,003	1,090	1,442
5 Special district and statutory authority[2]	65,460	74,409	71,022	9,391	4,744	3,277	6,247	4,366	7,485	8,556	5,547
6 Municipalities, counties, and townships	26,845	31,193	30,805	3,334	1,238	1,856	2,926	2,243	3,544	3,977	1,742
7 **Issues for new capital, total**	**56,789**	**79,665**	**84,062**	**10,195**	**6,263**	**5,635**	**6,667**	**7,744**	**10,486**	**10,974**	**7,442**
Use of proceeds											
8 Education	9,524	15,021	15,133	1,495	1,374	1,420	1,018	1,054	1,694	2,612	↑
9 Transportation	3,677	6,825	6,870	645	98	511	1,158	1,215	1,375	1,592	
10 Utilities and conservation	7,912	8,496	11,427	2,219	1,747	718	502	991	1,232	2,159	n.a.
11 Social welfare	11,106	19,027	16,703	2,518	1,017	432	1,425	2,664	2,628	2,199	
12 Industrial aid	7,474	5,624	5,036	1,119	200	115	432	232	681	693	↓
13 Other purposes	18,020	24,672	28,894	2,199	1,827	2,439	2,132	2,426	2,155	n.a.	

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

SOURCES. Investment Dealer's Digest beginning April 1990. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1987	1988	1989	1989		1990					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 **All issues**[1]	**392,659r**	**410,791r**	**376,431r**	**20,895r**	**21,877r**	**15,139r**	**13,811r**	**21,036r**	**15,285r**	**24,576r**	**28,873**
2 **Bonds**[2]	**326,151r**	**352,990r**	**318,560r**	**16,655r**	**17,932r**	**12,861r**	**10,892r**	**17,242r**	**13,529r**	**22,225r**	**26,000**
Type of offering											
3 Public, domestic	209,775r	202,112r	181,173r	14,572r	16,306r	10,809r	9,985r	15,335r	12,608r	19,200r	22,600
4 Private placement, domestic[3]	92,070	127,700	114,629	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5. Sold abroad	24,306	23,178	22,758	2,083	1,626	2,052	907	1,907r	921r	3,150r	3,400
Industry group											
6 Manufacturing	60,642r	70,554r	76,335r	3,651r	4,285	2,036	2,488r	3,232r	3,551r	2,412r	3,704
7 Commercial and miscellaneous	49,773	62,104r	49,307r	1,253	347	655	131	263r	683r	1,171r	2,920
8 Transportation	11,974	10,075	10,050	312	1,083	35	53	386	194	927r	1,001
9 Public utility	23,004	19,318	17,056r	1,072r	1,201r	1,043	1,057	317	435	1,004r	2,561
10 Communication	7,340	5,952	8,503r	812	577	23	35	704	500	326r	411
11 Real estate and financial	173,418r	184,990r	157,309r	9,534r	10,397r	9,070r	7,103r	12,340r	8,167r	16,385r	15,403
12 **Stocks**[2]	**66,508**	**57,802**	**57,870**	**4,240**	**3,945**	**2,278**	**2,919**	**3,794**	**1,756**	**2,351**	**2,873**
Type											
13 Preferred	10,123	6,544	6,194	160	626	50	167	1,028	193	665	310
14 Common	43,225	35,911	26,030	4,080	3,319	2,228	2,752	2,767	1,564	1,686	2,565
15 Private placement[3]	13,157	15,346	25,647	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	13,880	7,608	9,308	378	279	835	431	521	253	86	265
17 Commercial and miscellaneous	12,888	8,449	7,446	498	1,045	248	1,017	552	666	706	750
18 Transportation	2,439	1,535	1,929	0	0	0	0	0	0	22	21
19 Public utility	4,322	1,898	3,090	211	244	106	582	533	219	471	0
20 Communication	1,458	515	1,904	0	0	0	0	0	0	380	29
21 Real estate and financial	31,521	37,798	34,028	3,153	2,377	1,090	889	2,188	619	686	1,799

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

SOURCES. IDD Information Services, Inc., the Board of Governors of the Federal Reserve System, and before 1989, the U.S. Securities and Exchange Commission.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1988	1989	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May[r]	1990 June
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	**271,237**	**306,445**	**24,673**	**30,982**	**35,620**	**26,118**	**28,817**	**29,788**	**27,431**	**28,303**
2 Redemptions of own shares[3]	267,451	272,165	19,573	24,967	27,331	20,978	23,777	27,306	23,337	23,354
3 Net sales	3,786	34,280	5,100	6,015	8,289	5,140	5,040	2,482	4,094	4,949
4 Assets[4]	**472,297**	**553,871**	**549,892**	**553,871**	**535,165**	**542,725**	**549,638**	**542,061**	**574,302**	**580,632**
5 Cash position[5]	45,090	44,780	47,875	44,780	48,865	51,356	50,454	55,213	52,741	50,277
6 Other	427,207	509,091	502,017	509,091	486,300	491,369	499,184	486,848	521,560	530,355

1. Data on sales and redemptions exclude money market mutual funds but include limited maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited maturity municipal bond funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

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

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1987[r]	1988[r]	1989[r]	1988[r] Q3	1988[r] Q4	1989[r] Q1	1989[r] Q2	1989[r] Q3	1989[r] Q4	1990 Q1[r]	1990 Q2
1 Corporate profits with inventory valuation and capital consumption adjustment	308.3	337.6	311.6	334.4	349.6	327.3	321.4	306.7	290.9	296.8	306.5
2 Profits before tax	275.3	316.7	307.7	320.4	331.1	335.1	314.6	291.4	289.8	296.9	297.6
3 Profits tax liability	126.9	136.2	135.1	137.9	142.1	148.3	140.8	127.8	123.5	129.9	131.0
4 Profits after tax	148.4	180.5	172.6	182.5	189.1	186.7	173.8	163.6	166.3	167.1	166.7
5 Dividends	98.2	110.0	123.5	111.8	115.3	119.1	122.1	125.0	127.7	130.3	133.0
6 Undistributed profits	50.2	70.5	49.1	70.8	73.8	67.6	51.7	38.6	38.6	36.8	33.7
7 Inventory valuation	−18.9	−25.0	n.a.	−30.4	−20.1	−38.3	−21.0	n.a.	n.a.	n.a.	n.a.
8 Capital consumption adjustment	52.4	47.8	25.5	47.3	40.9	35.2	29.9	21.4	15.6	11.3	7.7

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

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

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

Industry	1988	1989	1990	1988 Q4	1989 Q1	1989 Q2	1989 Q3	1989 Q4	1990 Q1	1990 Q2	1990 Q3
1 Total nonfarm business	**430.76**	**475.52**	**507.23**	**442.11**	**459.47**	**470.86**	**484.93**	**486.80**	**500.29**	**506.84**	**511.59**
Manufacturing											
2 Durable goods industries	78.30	83.68	85.71	80.56	81.26	82.97	85.66	84.84	88.04	83.97	84.99
3 Nondurable goods industries	88.01	100.86	105.18	92.76	93.96	98.57	102.00	108.92	104.32	105.56	105.33
Nonmanufacturing											
4 Mining	12.66	12.52	13.40	12.38	12.15	12.70	12.59	12.65	12.86	13.77	14.02
Transportation											
5 Railroad	7.06	8.12	8.14	7.45	8.02	7.37	8.16	8.94	8.58	7.99	7.78
6 Air	7.28	8.91	12.39	7.69	7.04	9.49	12.48	6.61	11.10	12.11	15.09
7 Other	7.00	7.56	7.68	6.89	8.07	7.40	7.89	6.87	8.39	7.01	7.61
Public utilities											
8 Electric	32.03	34.20	34.87	33.69	33.69	35.34	33.73	34.04	31.94	36.75	35.52
9 Gas and other	14.64	16.52	17.65	15.04	17.12	16.67	15.84	16.46	17.59	17.79	18.44
10 Commercial and other[2]	183.76	203.14	222.22	185.65	198.15	200.36	206.59	207.46	217.46	221.89	222.82

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

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

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period

Account	1985	1986	1987	1988	1989				1990	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
Accounts receivable, gross[2]										
1 Consumer	111.9	134.7	141.1	146.2	139.1	143.9	146.3	140.8	137.9	138.6
2 Business	157.5	173.4	207.4	236.5	243.3	250.9	246.8	256.0	262.9	274.8
3 Real estate	28.0	32.6	39.5	43.5	45.1	47.1	48.7	48.9	52.1	55.4
4 Total	297.4	340.6	388.1	426.2	427.5	441.9	441.8	445.8	452.8	468.8
Less:										
5 Reserves for unearned income	39.2	41.5	45.3	50.0	51.0	52.2	52.9	52.0	51.9	54.3
6 Reserves for losses	4.9	5.8	6.8	7.3	7.4	7.5	7.7	7.7	7.9	8.2
7 Accounts receivable, net	253.3	293.3	336.0	368.9	369.2	382.2	381.3	386.1	393.0	406.3
8 All other	45.3	58.6	58.3	72.4	75.1	81.4	85.2	91.6	92.5	95.5
9 **Total assets**	**298.6**	**351.9**	**394.2**	**441.3**	**444.3**	**463.6**	**466.4**	**477.6**	**485.5**	**501.9**
LIABILITIES										
10 Bank loans	18.0	18.6	16.4	15.4	11.3	12.1	12.2	14.5	13.9	15.8
11 Commercial paper	99.2	117.8	128.4	142.0	147.8	149.0	147.2	149.5	152.9	152.4
Debt										
12 Other short-term	12.7	17.5	28.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	94.4	117.5	137.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Due to parent	n.a.	n.a.	n.a.	50.6	56.9	59.8	60.3	63.8	70.5	72.8
15 Not elsewhere classified	n.a.	n.a.	n.a.	137.9	133.6	140.5	145.1	147.8	145.7	153.0
16 All other liabilities	41.5	44.1	52.8	59.8	58.1	63.5	61.8	62.6	61.7	66.1
17 Capital, surplus, and undivided profits	32.8	36.4	31.5	35.6	36.6	38.8	39.8	39.4	40.7	41.8
18 **Total liabilities and capital**	**298.6**	**351.9**	**394.2**	**441.3**	**444.3**	**463.6**	**466.4**	**477.6**	**485.5**	**501.9**

1. Components may not add to totals because of rounding.
2. Excludes pools of securitized assets.

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

Millions of dollars, seasonally adjusted

Type	1987	1988	1989	1990					
				Jan.	Feb.	Mar.	Apr.	May	June
1 **Total**	**205,992**	**234,578**	**258,504**	**259,467**	**259,015**	**261,662**	**262,379**	**266,859**	**273,786**
Retail financing of installment sales									
2 Automotive	36,139	36,957	39,139	39,252	39,125	39,264	39,550	39,245	39,716
3 Equipment	25,075	28,199	29,674	29,690	29,483	29,789	30,115	30,635	30,491
4 Pools of securitized assets[2]	n.a.	n.a.	698	720	681	704	662	622	642
Wholesale									
5 Automotive	30,070	32,357	33,074	30,463	29,491	29,963	29,672	29,896	31,815
6 Equipment	5,578	5,954	6,896	9,183	9,155	9,408	9,372	9,429	9,495
7 All other	8,329	9,312	9,918	9,943	9,877	10,030	9,961	9,892	10,043
8 Pools of securitized assets[2]	n.a.	n.a.	0	0	0	0	0	0	0
Leasing									
9 Automotive	22,097	24,875	27,074	26,978	27,161	28,325	28,528	28,878	29,575
10 Equipment	43,493	57,658	68,112	68,904	69,335	68,755	69,473	72,715	74,916
11 Pools of securitized assets[2]	n.a.	n.a.	1,247	1,242	1,377	1,433	1,646	1,597	1,547
12 Loans on commercial accounts receivable and factored commercial accounts receivable	18,170	18,103	19,081	18,975	19,155	19,426	18,716	18,700	19,869
13 All other business credit	17,042	21,162	23,590	24,118	24,176	24,565	24,685	25,250	25,677
	Net change (during period)								
14 **Total**	**33,866**	**22,434**	**22,580**	**−1,255**	**−452**	**2,647**	**717**	**4,480**	**6,927**
Retail financing of installment sales									
15 Automotive	9,925	819	2,182	112	−127	140	286	−305	471
16 Equipment	2,056	1,386	1,475	16	−207	306	327	520	−144
17 Pools of securitized assets[2]	n.a.	n.a.	−26	22	−39	23	−42	−40	20
Wholesale									
18 Automotive	7,158	2,288	716	−2,611	−972	472	−291	224	1,919
19 Equipment	250	377	940	68	−28	254	−37	57	67
20 All other	1,293	983	605	26	−66	153	−69	−69	151
21 Pools of securitized assets[2]	n.a.	n.a.	0	0	0	0	0	0	0
Leasing									
22 Automotive	2,174	2,777	2,201	−97	183	1,164	203	351	696
23 Equipment	5,271	9,752	9,187	792	431	−580	718	3,243	2,201
24 Pools of securitized assets[2]	n.a.	n.a.	526	−5	135	56	213	−49	−50
25 Loans on commercial accounts receivable and factored commercial accounts receivable	2,245	−65	979	−107	180	272	−711	−16	1,169
26 All other business credit	3,498	4,119	3,796	528	59	388	120	565	427

1. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.
2. Data on pools of securitized assets are not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1987	1988	1989	1990						
				Jan.	Feb.	Mar.	Apr.	May	June	July
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	137.0	150.0	159.6	148.5	148.9	138.2	155.5	162.1	149.8	163.5
2 Amount of loan (thousands of dollars)	100.5	110.5	117.0	107.3	109.0	100.9	114.6	119.7	111.8	120.9
3 Loan/price ratio (percent)	75.2	75.5	74.5	73.4	74.6	74.7	75.4	75.0	76.4	75.3
4 Maturity (years)	27.8	28.0	28.1	27.1	27.4	26.6	26.6	28.1	26.9	28.0
5 Fees and charges (percent of loan amount)[2]	2.26	2.19	2.06	1.85	1.87	1.96	2.00	2.41	1.96	1.93
6 Contract rate (percent per year)	8.94	8.81	9.76	9.59	9.56	9.70	9.83	9.87	9.80	9.75
Yield (percent per year)										
7 OTS series[3]	9.31	9.18	10.11	9.91	9.88	10.03	10.17	10.28	10.13	10.08
8 HUD series[4]	10.17	10.30	10.21	10.00	10.12	10.20	10.46	10.19	10.12	9.94
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	10.16	10.49	10.24	10.01	10.22	10.30	10.75	10.23	10.18	10.11
10 GNMA securities[6]	9.44	9.83	9.71	9.24	9.44	9.53	9.77	9.77	9.54	9.48
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	95,030	101,329	104,974	111,329	111,628	112,353	112,463	112,791	112,855	113,378
12 FHA/VA-insured	21,660	19,762	19,640	20,471	20,614	20,688	20,707	20,723	20,830	21,059
13 Conventional	73,370	81,567	85,335	90,858	91,014	91,665	91,756	92,068	92,025	92,319
Mortgage transactions (during period)										
14 Purchases	20,531	23,110	22,518	2,214	1,537	1,945	1,705	1,630	1,802	2,304
Mortgage commitments[7]										
15 Contracted (during period)	25,415	23,435	27,409	1,787	3,216	3,789	5,700	n.a.	n.a.	n.a.
16 Outstanding (end of period)	4,886	2,148	6,037	5,619	4,977	6,765	10,534	n.a.	n.a.	n.a.
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	12,802	15,105	20,105	20,361	20,112	19,823	19,730	19,874	n.a.	n.a.
18 FHA/VA	686	620	590	578	572	561	555	556	n.a.	n.a.
19 Conventional	12,116	14,485	19,516	19,782	19,540	19,261	19,174	19,319	n.a.	n.a.
Mortgage transactions (during period)										
20 Purchases	76,845	44,077	78,588	6,423	5,676	6,301	5,719	6,064	n.a.	n.a.
21 Sales	75,082	39,780	73,446	7,764	5,796	6,503	5,687	5,792r	6,291	4,177
Mortgage commitments[9]										
22 Contracted (during period)	71,467	66,026	88,519	8,020	5,922	6,119	10,441	8,502	n.a.	n.a.

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

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder, and type of property	1987	1988	1989r	1989 Q1	1989 Q2r	1989 Q3r	1989 Q4r	1990 Q1
1 **All holders**	**2,971,019r**	**3,243,371r**	**3,523,539**	**3,307,882r**	**3,382,521**	**3,454,730**	**3,523,539**	**3,593,640**
2 1- to 4-family	1,958,400r	2,172,161r	2,392,959	2,215,537r	2,274,253	2,334,726	2,392,959	2,440,682
3 Multifamily	272,500r	286,356r	303,400	291,715r	297,004	299,950	303,400	311,573
4 Commercial	651,323r	698,064r	741,863	714,647r	724,510	733,764	741,863	756,670
5 Farm	88,797r	86,791r	85,318	85,983r	86,755	86,290	85,318	84,714
6 Selected financial institutions	1,657,937r	1,805,691r	1,902,698	1,838,549r	1,871,649	1,895,094	1,902,698	1,916,241
7 Commercial banks[2]	592,449r	669,237r	763,533	689,335r	715,262	742,096	763,533	783,100
8 1- to 4-family	275,613r	317,585r	368,567	325,148r	338,799	355,084	368,567	376,616
9 Multifamily	32,756r	33,158r	37,990	34,332r	36,022	37,201	37,990	39,202
10 Commercial	269,648r	302,989r	340,285	313,971r	324,083	333,272	340,285	350,473
11 Farm	14,432r	15,505r	16,691	15,884r	16,358	16,539	16,691	16,809
12 Savings institutions[3]	860,467	903,629	893,709	914,537	919,153	913,553	893,709	883,628
13 1- to 4-family	602,408	657,591	657,868	667,671	673,608	670,308	657,868	649,537
14 Multifamily	106,359	108,003	103,832	107,880	107,622	106,023	103,832	103,025
15 Commercial	150,943	137,384	131,377	138,330	137,275	136,561	131,377	130,443
16 Farm	757	651	632	656	648	661	632	622
17 Life insurance companies	205,021r	232,825r	245,456	234,677r	237,234	239,445	245,456	249,513
18 1- to 4-family	12,676r	15,299r	13,827	12,675r	12,814	13,290	13,827	14,173
19 Multifamily	21,644r	23,583r	27,195	24,608r	25,232	26,372	27,195	28,182
20 Commercial	160,874r	184,273r	194,871	187,885r	189,623	190,152	194,871	197,621
21 Farm	9,828r	9,671r	9,563	9,509r	9,565	9,632	9,563	9,537
22 Finance companies[4]	29,716r	37,846r	45,476	39,610r	41,824	43,157	45,476	45,808
23 Federal and related agencies	192,721	200,570	209,472	199,968r	202,056	205,809	209,472	216,961
24 Government National Mortgage Association	444	26	23	25r	24	24	23	22
25 1- to 4-family	25	26	23	25r	24	24	23	22
26 Multifamily	419	0	0	0	0	0	0	0
27 Farmers Home Administration[5]	0r	0r	0	0r	0	0	0	8,045
28 1- to 4-family	18,169	18,347	18,422	18,347	18,391	18,405	18,422	18,419
29 Multifamily	8,044	8,513	9,054	8,615	8,778	8,916	9,054	9,199
30 Commercial	6,603	5,343	4,443	5,101	3,885	4,366	4,443	4,510
31 Farm	10,235	9,815	9,257	9,717	9,657	9,430	9,257	8,997
32 Federal Housing and Veterans Administration	5,574	5,973	6,061	6,198	6,424	6,023	6,061	6,215
33 1- to 4-family	2,557	2,672	2,850	2,673	2,827	2,900	2,850	2,977
34 Multifamily	3,017	3,301	3,211	3,525	3,597	3,123	3,211	3,291
35 Federal National Mortgage Association	96,649	103,013	110,721	101,991	103,309	107,052	110,721	112,353
36 1- to 4-family	89,666	95,833	102,295	94,727	95,714	99,168	102,295	103,300
37 Multifamily	6,983	7,180	8,426	7,264	7,595	7,884	8,426	9,053
38 Federal Land Banks	34,131	32,115	29,640	31,261	31,467	30,943	29,640	29,325
39 1- to 4-family	2,008	1,890	1,210	1,839	1,851	1,821	1,210	1,197
40 Farm	32,123	30,225	28,430	29,422	29,616	29,122	28,430	28,128
41 Federal Home Loan Mortgage Corporation	12,872	17,425	21,851	18,713r	20,121	20,650	21,851	19,823
42 1- to 4-family	11,430	15,077	18,248	16,134r	17,382	17,659	18,248	16,772
43 Multifamily	1,442	2,348	3,603	2,579r	2,739	2,992	3,603	3,051
44 Mortgage pools or trusts[6]	718,297	810,887	943,932	839,684	864,885	899,435	943,932	981,265
45 Government National Mortgage Association	317,555	340,527	369,867	348,622	353,759	361,291	369,867	378,292
46 1- to 4-family	309,806	331,257	358,142	337,563	342,545	349,838	358,142	366,300
47 Multifamily	7,749	9,270	11,725	11,059	11,214	11,453	11,725	11,992
48 Federal Home Loan Mortgage Corporation	212,634	226,406	272,870	234,695	245,242	257,938	272,870	281,736
49 1- to 4-family	205,977	219,988	266,060	228,389	238,446	251,232	266,060	274,084
50 Multifamily	6,657	6,418	6,810	6,306	6,796	6,706	6,810	7,652
51 Federal National Mortgage Association	139,960	178,250	228,232	188,071	196,501	208,894	228,232	246,391
52 1- to 4-family	137,988	172,331	219,577	181,352	188,774	200,302	219,577	237,916
53 Multifamily	1,972	5,919	8,655	6,719	7,727	8,592	8,655	8,475
54 Farmers Home Administration[5]	245	104	80	96	85	82	80	75
55 1- to 4-family	121	26	21	24	23	22	21	20
56 Multifamily	0	0	0	0	0	0	0	0
57 Commercial	63	38	26	34	26	26	26	25
58 Farm	61	40	33	38	36	35	33	31
59 Individuals and others[7]	402,064	426,223r	467,438	429,681r	443,931	454,392	467,438	479,172
60 1- to 4-family	242,053	258,639r	292,967	260,770r	273,757	283,445	292,967	301,573
61 Multifamily	75,458	78,663r	82,899	78,828r	79,681	80,689	82,899	84,873
62 Commercial	63,192	68,037r	70,861	69,326r	69,618	69,387	70,861	72,136
63 Farm	21,361	20,884	20,711	20,757	20,875	20,871	20,711	20,589

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

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

Millions of dollars, amounts outstanding, end of period

Holder, and type of credit	1988	1989	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May[r]	1990 June
	Seasonally adjusted										
1 **Total**	**664,701**	**716,624**	**710,133**	**713,903**	**716,624**	**717,829**	**717,869**	**720,445**	**720,835**	**724,485**	**724,948**
2 Automobile	284,556	290,770	290,210	290,972	290,770	290,904	289,629	290,932	288,936	288,931	287,348
3 Revolving	174,057	197,110	191,734	194,679	197,110	199,146	199,927	202,263	203,965	207,153	208,458
4 Mobile home	25,201	22,343	22,621	22,197	22,343	22,604	22,633	22,708	22,702	22,815	22,731
5 Other	180,887	206,401	205,568	206,055	206,401	205,175	205,680	204,543	205,232	205,585	206,412
	Not seasonally adjusted										
6 **Total**	**674,719**	**727,561**	**711,295**	**715,145**	**727,561**	**721,026**	**717,062**	**713,138**	**715,801**	**720,045**	**723,300**
By major holder											
7 Commercial banks	324,792	343,865	335,657	337,285	343,865	342,266	339,418	334,645	337,576	339,328	335,951
8 Finance companies	146,212	140,832	143,293	142,802	140,832	140,740	139,115	137,857	138,174	138,384	138,642
9 Credit unions	88,340	90,875	91,291	90,965	90,875	90,452	90,127	89,556	89,689	89,913	90,482
10 Retailers[2]	48,302	42,638	37,045	37,906	42,638	39,959	37,904	37,302	37,207	37,347	37,382
11 Savings institutions	63,399	57,228	58,720	58,236	57,228	55,425	54,771	54,095	53,606	53,301	52,902
12 Gasoline companies	3,674	3,935	3,947	3,853	3,935	4,013	3,803	3,792	3,928	4,024	4,192
13 Pools of securitized assets[2]	n.a.	48,188	41,342	44,098	48,188	48,171	51,924	55,891	55,621	57,748	63,749
By major type of credit[3]											
14 Automobile	284,328	290,421	293,664	292,543	290,421	288,984	288,036	286,539	286,220	287,140	287,434
15 Commercial banks	123,392	126,613	128,213	128,111	126,613	127,075	127,149	126,289	126,483	127,056	126,992
16 Finance companies	97,245	82,721	86,655	85,725	82,721	81,918	80,227	79,523	79,295	78,927	78,273
17 Pools of securitized assets[2]	n.a.	18,191	15,024	15,376	18,191	17,827	18,931	19,563	19,406	20,151	21,043
18 Revolving	183,909	208,188	189,913	194,640	208,188	203,288	200,147	199,937[r]	201,783	204,854	206,915
19 Commercial banks	123,020	130,956	120,484	122,728	130,956	128,384	124,821	122,024	124,039	125,433	122,142
20 Retailers	43,697	37,967	32,618	33,432	37,967	35,359	33,378	32,794	32,721	32,857	32,884
21 Gasoline companies	3,674	3,935	3,947	3,853	3,935	4,013	3,803	3,792	3,928	4,024	4,192
22 Pools of securitized assets[2]	n.a.	22,977	20,371	22,186	22,977	23,450	26,204	29,542	29,403	30,913	36,125
23 Mobile home	25,143	22,283	22,849	22,319	22,283	22,717	22,726	22,426	22,484	22,610	22,642
24 Commercial banks	9,025	9,155	9,130	9,144	9,155	9,109	9,162	9,142	9,231	9,295	9,294
25 Finance companies	7,191	4,716	5,205	4,682	4,716	5,411	5,410	5,178	5,168	5,224	5,266
26 Other	181,339	206,669	204,869	205,643	206,669	206,037	206,153	204,236	205,314	205,441	206,309
27 Commercial banks	69,355	77,141	77,830	77,302	77,141	77,698	78,286	77,190	77,823	77,544	77,523
28 Finance companies	41,776	53,395	51,433	52,395	53,395	53,411	53,478	53,156	53,711	54,233	55,103
29 Retailers	4,605	4,671	4,427	4,474	4,671	4,600	4,526	4,508	4,486	4,490	4,498
30 Pools of securitized assets[2]	n.a.	7,020	5,947	6,536	7,020	6,894	6,789	6,786	6,812	6,684	6,581

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

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

2. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent unless noted otherwise

Item	1987	1988	1989	1989	1990					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
INTEREST RATES										
Commercial banks[2]										
1 48-month new car[3]	10.45	10.85	12.07	n.a.	n.a.	11.80	n.a.	n.a.	11.82	n.a.
2 24-month personal	14.22	14.68	15.44	n.a.	n.a.	15.27	n.a.	n.a.	15.41	n.a.
3 120-month mobile home[3]	13.38	13.54	14.11	n.a.	n.a.	13.91	n.a.	n.a.	14.09	n.a.
4 Credit card	17.92	17.78	18.02	n.a.	n.a.	18.12	n.a.	n.a.	18.14	n.a.
Auto finance companies										
5 New car	10.73	12.60	12.62	13.27	12.64	12.67	12.31	12.21	12.23	12.58
6 Used car	14.60	15.11	16.18	16.10	15.77	15.91	15.97	16.02	16.03	16.00
OTHER TERMS[4]										
Maturity (months)										
7 New car	53.5	56.2	54.2	55.1	54.7	54.7	54.3	54.2	54.5	54.8
8 Used car	45.2	46.7	46.6	45.5	45.5	46.4	46.4	46.5	46.1	46.2
Loan-to-value ratio										
9 New car	93	94	91	89	89	88	88	87	87	87
10 Used car	98	98	97	96	95	96	95	96	96	95
Amount financed (dollars)										
11 New car	11,203	11,663	12,001	12,301	12,381	12,053	12,216	12,089	12,064	12,108
12 Used car	7,420	7,824	7,954	8,096	8,040	8,065	8,132	8,105	8,169	8,296

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

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1985	1986	1987	1988	1989	1988		1989				1990
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**846.3**	**831.1**	**693.2**	**754.5**	**711.8**	**749.3**	**734.2**	**748.9**	**672.4**	**684.7**	**741.1**	**771.2**
By sector and instrument												
2 U.S. government	223.6	215.0	144.9	157.5	149.8	162.5	142.1	199.9	70.9	149.0	179.4	295.8
3 Treasury securities	223.7	214.7	143.4	140.0	150.0	141.6	100.5	201.1	65.8	149.1	184.0	266.2
4 Agency issues and mortgages	−.1	.4	1.5	17.4	−.2	20.9	41.6	−1.2	5.1	−.2	−4.6	29.6
5 Private domestic nonfinancial sectors	622.7	616.1	548.3	597.1	562.0	586.8	592.2	549.0	601.5	535.8	561.7	475.4
6 Debt capital instruments	451.4	460.3	458.5	454.6	412.4	458.8	432.4	412.0	429.0	400.2	408.2	364.5
7 Tax-exempt obligations	135.4	22.7	34.1	34.0	25.4	34.8	34.3	29.3	23.0	35.0	14.3	37.4
8 Corporate bonds	73.8	121.3	99.9	114.1	114.3	110.9	98.4	100.4	127.9	102.5	126.6	87.9
9 Mortgages	242.2	316.3	324.5	306.5	272.6	313.1	299.7	282.3	278.2	262.7	267.3	239.2
10 Home mortgages	156.8	218.7	234.9	231.0	214.9	230.9	214.0	205.6	217.7	207.7	228.7	190.6
11 Multifamily residential	29.8	33.5	24.4	16.7	14.4	19.4	17.3	18.3	16.0	14.7	8.5	19.7
12 Commercial	62.2	73.6	71.6	60.8	43.7	65.4	67.7	62.8	42.4	40.2	29.3	30.3
13 Farm	−6.6	−9.5	−6.4	−2.1	−.3	−2.6	.7	−4.4	2.2	.1	.8	−1.3
14 Other debt instruments	171.3	155.8	89.7	142.5	149.6	128.0	159.8	137.0	172.5	135.6	153.4	110.9
15 Consumer credit	82.5	58.0	32.9	51.1	39.1	35.5	73.1	22.5	42.2	30.5	61.1	3.4
16 Bank loans n.e.c.	38.6	66.7	10.8	38.4	45.5	7.3	66.6	15.6	35.1	60.1	71.2	−3.0
17 Open market paper	14.6	−9.3	2.3	11.6	20.8	17.1	20.0	41.4	39.2	16.7	−14.3	68.8
18 Other	35.6	40.5	43.8	41.5	44.3	68.0	.1	57.4	56.0	28.3	35.4	41.7
19 By borrowing sector	622.7	616.1	548.3	597.1	562.0	586.8	592.2	549.0	601.5	535.8	561.7	475.4
20 State and local governments	90.9	36.2	33.6	29.8	24.6	28.1	30.6	29.7	27.6	29.5	11.7	32.8
21 Households	284.6	289.2	271.9	289.8	277.6	291.4	283.5	243.7	260.9	282.7	323.3	223.6
22 Nonfinancial business	247.2	290.7	242.8	277.5	259.7	267.3	278.0	275.6	313.0	223.6	226.7	219.0
23 Farm	−14.5	−16.3	−10.6	−7.5	−.4	−2.2	−11.8	1.0	−3.0	−9.4	9.6	9.3
24 Nonfarm noncorporate	129.3	103.2	107.9	87.4	64.1	100.5	80.4	86.3	66.1	58.1	46.1	52.8
25 Corporate	132.4	203.7	145.5	197.5	196.0	169.0	209.4	188.2	249.9	174.9	171.0	156.8
26 Foreign net borrowing in United States	1.2	9.7	4.9	6.9	9.8	4.1	13.3	−2.3	.4	25.6	15.5	16.8
27 Bonds	3.8	3.1	7.4	6.9	4.9	5.9	5.1	3.2	10.7	8.4	−2.5	6.6
28 Bank loans n.e.c.	−2.8	−1.0	−3.6	−1.8	−.1	.0	−5.7	4.9	1.7	−1.2	−5.8	−2.5
29 Open market paper	6.2	11.5	2.1	9.6	12.3	10.3	21.0	10.2	−6.1	20.4	24.9	16.0
30 U.S. government loans	−6.0	−3.9	−1.0	−7.8	−7.4	−12.1	−7.1	−20.7	−5.9	−2.0	−1.1	−3.3
31 **Total domestic plus foreign**	**847.5**	**840.9**	**698.1**	**761.4**	**721.6**	**753.3**	**747.6**	**746.6**	**672.8**	**710.3**	**756.6**	**788.0**
	Financial sectors											
32 **Total net borrowing by financial sectors**	**201.3**	**318.9**	**315.0**	**246.5**	**210.8**	**216.3**	**302.5**	**387.2**	**117.0**	**132.9**	**205.9**	**189.9**
By instrument												
33 U.S. government related	101.5	187.9	185.8	119.8	155.8	128.6	156.7	205.7	101.4	129.7	186.3	151.9
34 Sponsored credit agency securities	20.6	15.2	30.2	44.9	25.2	46.5	62.3	84.9	12.5	10.0	−6.5	32.0
35 Mortgage pool securities	79.9	173.1	156.4	74.9	130.5	82.1	94.4	120.8	88.9	119.6	192.8	120.0
36 Loans from U.S. government	1.1	−.4	−.8	.0	.0	.0	.0	.0	.0	.0	.0	.0
37 Private financial sectors	99.7	131.0	129.2	126.7	55.0	87.7	145.8	181.5	15.6	3.3	19.6	38.0
38 Corporate bonds	50.9	82.9	78.9	51.7	37.0	32.5	43.0	54.0	31.4	24.9	37.7	37.1
39 Mortgages	.1	.1	.4	.3	.0	−.1	1.2	.3	.0	.3	−.6	−.4
40 Bank loans n.e.c.	2.6	4.0	−3.3	1.4	1.8	−5.6	−.3	3.0	.3	1.7	2.1	9.1
41 Open market paper	32.0	24.2	28.8	53.6	27.2	35.1	70.4	55.2	.9	20.0	32.8	1.7
42 Loans from Federal Home Loan Banks	14.2	19.8	24.4	19.7	−11.0	25.8	31.4	69.1	−16.9	−43.7	−52.4	−9.6
By sector												
43 **Total**	**201.3**	**318.9**	**315.0**	**246.5**	**210.8**	**216.3**	**302.5**	**387.2**	**117.0**	**132.9**	**205.9**	**189.9**
44 Sponsored credit agencies	21.7	14.9	29.5	44.9	25.2	46.5	62.3	84.9	12.5	10.0	−6.5	32.0
45 Mortgage pools	79.9	173.1	156.4	74.9	130.5	82.1	94.4	120.8	88.9	119.6	192.8	120.0
46 Private financial sectors	99.7	131.0	129.2	126.7	55.0	87.7	145.8	181.5	15.6	3.3	19.6	38.0
47 Commercial banks	−4.9	−3.6	7.1	−3.9	−1.4	−.9	3.7	−13.4	−.9	12.3	−3.5	4.4
48 Bank affiliates	16.6	15.2	14.3	5.2	6.2	6.1	.8	6.4	6.5	16.8	−4.9	−9.6
49 Savings and loan associations	17.3	20.9	19.6	19.9	−14.1	24.1	26.3	71.3	−16.2	−48.3	−63.3	−12.4
50 Mutual savings banks	1.5	4.2	8.1	1.9	−1.4	.5	3.8	−2.8	−1.1	−3.3	1.4	−.9
51 Finance companies	57.2	54.5	40.3	67.0	46.2	40.7	63.6	80.3	30.9	22.5	51.1	24.3
52 REITs	.5	1.0	.8	4.1	−1.2	−5.9	15.0	−.9	−2.2	−2.4	.5	−1.0
53 SCO Issuers	11.5	39.0	39.1	32.5	20.8	23.1	32.5	40.6	−1.4	5.7	38.2	33.3

1.57—Continued

	Transaction category, sector	1985	1986	1987	1988	1989	1988		1989				1990
							Q3	Q4	Q1	Q2	Q3	Q4	Q1
		All sectors											
54	**Total net borrowing**	**1,048.8**	**1,159.8**	**1,013.2**	**1,007.9**	**932.4**	**969.7**	**1,050.1**	**1,133.8**	**789.8**	**843.3**	**962.5**	**977.9**
55	U.S. government securities	324.2	403.4	331.5	277.2	305.6	291.1	298.8	405.6	172.3	278.6	365.7	447.7
56	State and local obligations	135.4	22.7	34.1	34.0	25.4	34.8	34.3	29.3	23.0	35.0	14.3	37.4
57	Corporate and foreign bonds	128.4	207.3	186.3	172.7	156.3	149.3	146.4	157.6	170.0	135.7	161.8	131.6
58	Mortgages	242.2	316.4	324.9	306.7	272.6	313.0	300.8	282.6	278.1	263.0	266.7	238.9
59	Consumer credit	82.5	58.0	32.9	51.1	39.1	35.5	73.1	22.5	42.2	30.5	61.1	3.4
60	Bank loans n.e.c.	38.3	69.7	3.8	38.0	47.2	1.7	60.7	23.6	37.1	60.6	67.5	3.7
61	Open market paper	52.8	26.4	33.2	74.9	60.3	62.5	111.5	106.8	34.0	57.1	43.4	86.5
62	Other loans	45.0	56.1	66.5	53.4	25.9	81.7	24.4	105.9	33.1	−17.3	−18.0	28.8
63	MEMO: U.S. government, cash balance	14.4	.0	−7.9	10.4	−5.9	10.6	−17.9	−22.5	43.7	−16.6	−28.2	27.3
	Totals net of changes in U.S. government cash balances												
64	Net borrowing by domestic nonfinancial	831.9	831.2	701.1	744.2	717.7	738.6	752.2	771.4	628.7	701.4	769.3	743.9
65	Net borrowing by U.S. government	209.3	215.0	152.8	147.1	155.7	151.8	160.0	222.4	27.2	165.6	207.7	268.5
		External corporate equity funds raised in United States											
66	**Total net share issues**	**20.1**	**90.5**	**14.3**	**−117.9**	**−60.8**	**−73.5**	**−163.5**	**−162.9**	**−48.8**	**−41.0**	**9.3**	**−7.2**
67	Mutual funds	84.4	159.0	71.6	−.7	38.3	1.5	11.9	3.6	24.0	54.8	70.8	55.9
68	All other	−64.3	−68.5	−57.3	−117.2	−99.1	−75.0	−175.4	−166.5	−72.7	−95.8	−61.5	−63.1
69	Nonfinancial corporations	−81.5	−80.8	−76.5	−130.5	−130.8	−92.0	−195.0	−180.0	−105.0	−145.0	−93.0	−78.0
70	Financial corporations	13.5	11.1	21.4	12.4	14.0	14.6	13.5	10.0	17.3	14.2	14.6	16.5
71	Foreign shares purchased in United States	3.7	1.2	−2.1	.9	17.6	2.4	6.1	3.6	15.0	35.0	16.9	−1.7

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category, or sector	1985	1986	1987	1988	1989	1988 Q3	1988 Q4	1989 Q1	1989 Q2	1989 Q3	1989 Q4	1990 Q1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**846.3**	**831.1**	**693.2**	**754.5**	**711.8**	**749.3**	**734.2**	**748.9**	**672.4**	**684.7**	**741.1**	**771.2**
By public agencies and foreign												
2 Total net advances	202.0	314.0	262.8	215.5	193.8	181.2	255.8	310.8	−2.4	220.4	246.3	132.2
3 U.S. government securities	45.9	69.4	70.1	85.0	30.1	24.1	119.6	77.6	−105.9	116.5	32.3	−25.7
4 Residential mortgages	94.6	170.1	153.2	86.3	144.2	82.4	105.5	123.4	101.7	139.3	212.3	137.6
5 FHLB advances to thrifts	14.2	19.8	24.4	19.7	−11.0	25.8	31.4	69.1	−16.9	−43.7	−52.4	−9.6
6 Other loans and securities	47.3	54.7	15.1	24.4	30.4	49.0	−.7	40.7	18.7	8.3	54.1	29.8
Total advanced, by sector												
7 U.S. government	17.8	9.7	−7.9	−9.4	−1.4	4.3	−27.1	−1.1	−3.9	−12.2	11.5	8.8
8 Sponsored credit agencies	103.5	187.2	183.4	112.0	130.1	114.4	152.8	194.3	8.0	132.1	186.2	137.4
9 Monetary authorities	18.4	19.4	24.7	10.5	−7.3	15.5	18.9	5.2	−3.9	−30.7	.1	−7.7
10 Foreign	62.3	97.8	62.7	102.3	72.4	47.0	111.2	112.5	−2.6	131.1	48.5	−6.4
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	101.5	187.9	185.8	119.8	155.8	128.6	156.7	205.7	101.4	129.7	186.3	151.9
12 Foreign	1.2	9.7	4.9	6.9	9.8	4.1	13.3	−2.3	.4	25.6	15.5	16.8
Private domestic funds advanced												
13 Total net advances	747.0	714.8	621.1	665.8	683.6	700.8	648.5	641.4	776.7	619.7	696.6	807.7
14 U.S. government securities	278.2	333.9	261.4	192.2	275.4	267.0	179.3	328.0	278.2	162.2	333.4	473.4
15 State and local obligations	135.4	22.7	34.1	34.0	25.4	34.8	34.3	29.3	23.0	35.0	14.3	37.4
16 Corporate and foreign bonds	40.8	84.2	87.5	97.6	103.7	86.8	66.5	80.9	129.0	107.2	97.9	80.8
17 Residential mortgages	91.8	82.0	106.1	161.3	85.1	167.9	125.8	100.5	131.9	83.1	24.9	72.7
18 Other mortgages and loans	214.8	211.8	156.5	200.3	182.9	170.0	274.0	171.8	197.6	188.5	173.8	133.8
19 LESS: Federal Home Loan Bank advances	14.2	19.8	24.4	19.7	−11.0	25.8	31.4	69.1	−16.9	−43.7	−52.4	−9.6
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	579.9	744.0	560.8	561.2	514.2	429.1	634.9	564.9	523.3	323.4	645.3	611.1
21 Commercial banking	186.0	197.5	136.8	155.3	177.1	118.4	220.5	120.6	158.6	166.6	262.5	169.9
22 Savings institutions	87.9	107.6	136.8	120.4	−92.9	156.9	94.0	34.3	−73.2	−135.9	−197.1	−63.7
23 Insurance and pension funds	154.4	174.6	210.9	198.0	183.1	152.2	190.1	257.1	162.1	122.8	190.5	196.4
24 Other finance	151.6	264.2	76.3	87.4	247.0	1.7	130.3	152.9	275.8	169.8	389.4	308.5
25 Sources of funds	579.9	744.0	560.8	561.2	514.2	429.1	634.9	564.9	523.3	323.4	645.3	611.1
26 Private domestic deposits and RPs	214.3	262.6	144.1	219.9	207.7	191.3	277.9	128.4	174.2	255.4	273.0	196.6
27 Credit market borrowing	99.7	131.0	129.2	126.7	55.0	87.7	145.8	181.5	15.6	3.3	19.6	38.0
28 Other sources	265.9	350.4	287.5	214.6	251.5	150.1	211.2	255.0	333.5	64.7	352.8	376.5
29 Foreign funds	19.7	12.9	43.7	9.3	−11.6	−41.5	45.2	−28.6	−19.4	22.7	−21.3	5.1
30 Treasury balances	10.3	1.7	−5.8	7.3	−3.4	5.6	−4.1	−21.6	26.6	−15.0	−3.6	15.9
31 Insurance and pension reserves	131.9	149.3	176.1	177.6	153.6	87.3	253.9	187.9	125.1	37.9	263.6	103.3
32 Other, net	104.1	186.5	73.6	20.4	112.9	98.8	−83.7	117.3	201.1	19.1	114.1	252.3
Private domestic nonfinancial investors												
33 Direct lending in credit markets	266.8	101.8	189.6	231.3	224.4	359.3	159.4	258.0	269.0	299.6	70.9	234.6
34 U.S. government securities	157.8	60.9	100.0	131.8	150.0	209.3	140.5	213.2	128.3	179.2	79.4	199.3
35 State and local obligations	37.7	−21.7	45.6	33.9	15.8	56.0	22.1	35.8	−9.1	35.8	.9	−1.3
36 Corporate and foreign bonds	4.2	39.3	24.1	−4.1	24.3	−6.1	−29.4	−33.0	70.8	10.6	48.6	−4.6
37 Open market paper	47.5	5.4	6.6	37.2	4.5	75.6	−1.3	44.9	18.9	53.5	−99.3	25.3
38 Other	19.6	17.9	13.3	32.6	29.8	24.5	27.4	−2.8	60.1	20.4	41.3	15.9
39 Deposits and currency	224.6	283.0	160.2	222.5	226.9	215.1	248.7	173.6	213.6	232.9	287.5	228.3
40 Currency	12.4	14.4	19.0	14.7	11.7	29.3	5.1	19.3	12.6	9.1	5.7	25.7
41 Checkable deposits	41.9	95.0	−3.0	12.4	.6	−22.3	97.8	−54.1	−93.2	−3.5	153.1	−23.9
42 Small time and savings accounts	138.5	120.6	76.0	122.8	100.5	73.1	86.1	19.9	111.2	130.0	140.8	132.3
43 Money market fund shares	8.9	38.3	27.2	22.8	84.8	−3.5	58.1	51.1	111.8	124.3	51.9	85.8
44 Large time deposits	7.4	−11.4	26.7	40.7	20.9	136.9	12.6	97.9	29.9	10.7	−55.0	5.6
45 Security RPs	17.7	20.2	17.2	21.2	1.1	7.0	23.3	13.6	14.5	−6.0	−17.8	−3.2
46 Deposits in foreign countries	−2.1	5.9	−2.8	−12.1	7.5	−5.5	−34.4	25.9	26.8	−31.6	8.8	6.0
47 **Total of credit market instruments, deposits, and currency**	**491.4**	**384.8**	**349.8**	**453.8**	**451.3**	**574.4**	**408.1**	**431.6**	**482.6**	**532.5**	**358.4**	**462.9**
48 Public holdings as percent of total	23.8	37.3	37.6	28.3	26.9	24.1	34.2	41.6	−.4	31.0	32.6	16.8
49 Private financial intermediation (in percent)	77.6	104.1	90.3	84.3	75.2	61.2	97.9	88.1	67.4	52.2	92.6	75.7
50 Total foreign funds	82.0	110.7	106.4	111.6	60.8	5.4	156.4	83.9	−22.0	153.9	27.2	−1.2
MEMO: Corporate equities not included above												
51 **Total net issues**	**20.1**	**90.5**	**14.3**	**−117.9**	**−60.8**	**−73.5**	**−163.5**	**−162.9**	**−48.8**	**−41.0**	**9.3**	**−7.2**
52 Mutual fund shares	84.4	159.0	71.6	−.7	38.3	1.5	11.9	3.6	24.0	54.8	70.8	55.9
53 Other equities	−64.3	−68.5	−57.3	−117.2	−99.1	−75.0	−175.4	−166.5	−72.7	−95.8	−61.5	−63.1
54 Acquisitions by financial institutions	45.6	53.7	21.4	.5	5.2	13.2	20.9	−1.1	−11.6	−11.8	45.3	52.8
55 Other net purchases	−25.5	36.8	−7.1	−118.4	−66.0	−86.7	−184.4	−161.8	−37.1	−29.2	−36.0	−60.0

NOTES BY LINE NUMBER.

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

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

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING

Billions of dollars; period-end levels.

	Transaction category, sector	1985	1986	1987	1988	1988 Q3	1988 Q4	1989 Q1	1989 Q2	1989 Q3	1989 Q4	1990 Q1
						Nonfinancial sectors						
1	**Total credit market debt owed by domestic nonfinancial sectors**	**6,795.1**	**7,631.2**	**8,335.0**	**9,080.8**	**8,856.6**	**9,080.8**	**9,240.7**	**9,415.1**	**9,591.5**	**9,806.5**	**9,987.4**
	By sector and instrument											
2	U.S. government	1,600.4	1,815.4	1,960.3	2,117.8	2,063.9	2,117.8	2,155.7	2,165.7	2,204.3	2,267.6	2,359.1
3	Treasury securities	1,597.1	1,811.7	1,955.2	2,095.2	2,051.7	2,095.2	2,133.4	2,142.1	2,180.7	2,245.2	2,329.3
4	Agency issues and mortgages	3.3	3.6	5.2	22.6	12.2	22.6	22.3	23.6	23.5	22.4	29.8
5	Private domestic nonfinancial sectors	5,194.7	5,815.8	6,374.7	6,963.1	6,792.7	6,963.1	7,084.9	7,249.4	7,387.2	7,539.0	7,628.4
6	Debt capital instruments	3,485.5	3,957.5	4,428.0	4,881.8	4,763.3	4,881.8	4,971.9	5,079.8	5,186.1	5,294.2	5,372.1
7	Tax-exempt obligations	655.5	679.1	713.2	759.8	746.1	759.8	764.7	769.9	781.5	785.2	792.1
8	Corporate bonds	542.9	664.2	764.1	878.2	853.6	878.2	903.3	935.3	960.9	992.5	1,014.5
9	Mortgages	2,287.1	2,614.2	2,950.7	3,243.8	3,163.6	3,243.8	3,303.9	3,374.6	3,443.7	3,516.4	3,565.6
10	Home mortgages	1,490.2	1,720.8	1,943.1	2,173.9	2,117.8	2,173.9	2,215.1	2,271.5	2,328.9	2,388.9	2,426.0
11	Multifamily residential	213.0	246.2	270.0	286.7	281.0	286.7	290.4	294.2	297.5	301.1	305.0
12	Commercial	478.1	551.4	648.7	696.4	677.9	696.4	712.5	722.2	730.8	740.0	748.2
13	Farm	105.9	95.8	88.9	86.8	87.0	86.8	86.0	86.7	86.6	86.5	86.4
14	Other debt instruments	1,709.3	1,858.4	1,946.7	2,081.3	2,029.4	2,081.3	2,113.0	2,169.7	2,201.1	2,244.8	2,256.3
15	Consumer credit	601.8	659.8	692.7	743.7	721.2	743.7	741.7	756.7	771.0	790.6	775.4
16	Bank loans n.e.c.	592.7	656.1	664.3	702.6	687.7	702.6	715.9	729.4	743.6	758.3	757.4
17	Open market paper	72.2	62.9	73.8	85.4	80.3	85.4	96.1	110.1	113.3	107.1	123.7
18	Other	442.6	479.6	516.0	549.5	540.2	549.5	559.4	573.5	573.2	588.8	599.8
19	By borrowing sector	5,194.7	5,815.8	6,374.7	6,963.1	6,792.7	6,963.1	7,084.9	7,249.4	7,387.2	7,539.0	7,628.4
20	State and local governments	473.9	510.1	543.7	573.5	565.7	573.5	578.5	584.8	595.1	598.1	603.8
21	Households	2,295.5	2,591.8	2,864.5	3,151.7	3,068.0	3,151.7	3,200.8	3,269.3	3,348.2	3,442.3	3,472.5
22	Nonfinancial business	2,425.4	2,714.0	2,966.5	3,237.9	3,159.0	3,237.9	3,305.6	3,395.3	3,443.9	3,498.6	3,552.0
23	Farm	173.4	156.6	145.5	137.6	143.6	137.6	136.7	139.4	137.7	137.1	138.3
24	Nonfarm noncorporate	898.3	1,001.6	1,109.4	1,200.9	1,172.6	1,200.9	1,223.5	1,239.3	1,249.1	1,265.0	1,279.2
25	Corporate	1,353.6	1,555.8	1,711.6	1,899.4	1,842.9	1,899.4	1,945.5	2,016.6	2,057.2	2,096.4	2,134.5
26	Foreign credit market debt held in United States	234.7	236.4	242.9	249.8	246.1	249.8	249.5	249.7	255.2	259.4	264.1
27	Bonds	71.8	74.9	82.3	89.2	87.4	89.2	90.5	92.1	94.2	94.2	96.4
28	Bank loans n.e.c.	27.9	26.9	23.3	21.5	22.7	21.5	21.6	22.7	22.6	21.4	19.6
29	Open market paper	33.9	37.4	41.2	50.9	46.3	50.9	54.4	52.7	57.5	63.0	68.2
30	U.S. government loans	101.1	97.1	96.1	88.3	89.8	88.3	83.0	82.2	80.9	80.9	79.9
31	***Total domestic plus foreign***	***7,029.9***	***7,867.6***	***8,578.0***	***9,330.7***	***9,102.8***	***9,330.7***	***9,490.1***	***9,664.8***	***9,846.7***	***10,066.0***	***10,251.5***
						Financial sectors						
32	**Total credit market debt owed by financial sectors**	**1,213.2**	**1,563.6**	**1,885.5**	**2,084.1**	**1,996.5**	**2,084.1**	**2,191.3**	**2,229.9**	**2,262.8**	**2,327.3**	**2,351.4**
	By instrument											
33	U.S. government related	632.7	844.2	1,026.5	1,098.4	1,054.6	1,098.4	1,140.8	1,166.5	1,202.6	1,254.1	1,282.5
34	Sponsored credit agency securities	257.8	273.0	303.2	348.1	328.5	348.1	364.3	369.0	370.4	373.3	376.0
35	Mortgage pool securities	368.9	565.4	718.3	745.3	721.1	745.3	771.5	792.5	827.2	875.8	901.5
36	Loans from U.S. government	6.1	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
37	Private financial sectors	580.5	719.5	859.0	985.7	941.9	985.7	1,050.5	1,063.5	1,060.2	1,073.2	1,068.9
38	Corporate bonds	204.5	287.4	366.3	418.0	406.4	418.0	458.6	466.1	472.7	483.0	491.3
39	Mortgages	2.7	2.7	3.1	3.4	3.1	3.4	3.5	3.5	3.5	3.4	3.3
40	Bank loans n.e.c.	32.1	36.1	32.8	34.2	32.9	34.2	32.2	33.8	34.1	36.0	35.4
41	Open market paper	252.4	284.6	323.8	377.4	358.0	377.4	392.5	398.3	398.8	409.1	406.1
42	Loans from Federal Home Loan Banks	88.8	108.6	133.1	152.8	141.6	152.8	163.8	161.9	151.1	141.8	132.9
43	**Total, by sector**	**1,213.2**	**1,563.6**	**1,885.5**	**2,084.1**	**1,996.5**	**2,084.1**	**2,191.3**	**2,229.9**	**2,262.8**	**2,327.3**	**2,351.4**
44	Sponsored credit agencies	263.9	278.7	308.2	353.1	333.5	353.1	369.3	374.0	375.4	378.3	381.0
45	Mortgage pools	368.9	565.4	718.3	745.3	721.1	745.3	771.5	792.5	827.2	875.8	901.5
46	Private financial sectors	580.5	719.5	859.0	985.7	941.9	985.7	1,050.5	1,063.5	1,060.2	1,073.2	1,068.9
47	Commercial banks	79.2	75.6	82.7	78.8	76.6	78.8	73.3	74.5	77.0	77.4	76.4
48	Bank affiliates	106.2	116.8	131.1	136.2	136.3	136.2	140.0	141.2	144.0	142.4	142.3
49	Savings and loan associations	98.9	119.8	139.4	159.3	148.1	159.3	170.1	167.9	155.7	145.2	134.7
50	Mutual savings banks	4.4	8.6	16.7	18.6	18.1	18.6	17.8	17.7	17.5	17.2	16.9
51	Finance companies	261.2	328.1	378.8	445.8	427.7	445.8	464.3	478.0	481.2	496.5	496.1
52	REITs	5.6	6.5	7.3	11.4	7.6	11.4	11.1	10.6	10.0	10.1	9.9
53	SCO issuers	25.0	64.0	103.1	135.7	127.5	135.7	173.8	173.5	174.9	184.4	192.8
						All sectors						
54	**Total credit market debt**	**8,243.1**	**9,431.2**	**10,463.4**	**11,414.8**	**11,099.3**	**11,414.8**	**11,681.5**	**11,894.8**	**12,109.5**	**12,393.3**	**12,602.9**
55	U.S. government securities	2,227.0	2,653.8	2,981.8	3,211.1	3,113.5	3,211.1	3,291.5	3,327.2	3,401.8	3,516.7	3,636.5
56	State and local obligations	655.5	679.1	713.2	759.8	746.1	759.8	764.7	769.9	781.5	785.2	792.1
57	Corporate and foreign bonds	819.2	1,026.4	1,212.7	1,385.4	1,347.4	1,385.4	1,452.3	1,493.5	1,527.8	1,569.6	1,602.2
58	Mortgages	2,289.8	2,617.0	2,953.8	3,247.2	3,166.7	3,247.2	3,307.4	3,378.1	3,447.3	3,519.8	3,568.9
59	Consumer credit	601.8	659.8	692.7	743.7	721.2	743.7	741.7	756.7	771.0	790.6	775.4
60	Bank loans n.e.c.	652.7	719.1	720.3	758.3	743.3	758.3	769.7	785.8	800.3	815.6	812.4
61	Open market paper	358.5	384.9	438.8	513.6	484.6	513.6	543.1	561.1	569.6	579.2	598.0
62	Other loans	638.6	691.1	750.2	795.6	776.5	795.6	811.1	822.6	810.2	816.5	817.5

1.60 SUMMARY OF CREDIT MARKET CLAIMS, BY HOLDER

Billions of dollars, except as noted; period-end levels.

Transaction category, or sector	1985	1986	1987	1988	1988 Q3	1988 Q4	1989 Q1	1989 Q2	1989 Q3	1989 Q4	1990 Q1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**6,795.1**	**7,631.2**	**8,335.0**	**9,080.8**	**8,856.6**	**9,080.8**	**9,240.7**	**9,415.1**	**9,591.5**	**9,806.5**	**9,987.4**
By public agencies and foreign											
2 Total held	1,460.5	1,794.7	2,044.9	2,196.5	2,130.2	2,196.5	2,252.4	2,258.2	2,315.7	2,385.3	2,400.4
3 U.S. government securities	423.8	493.2	563.3	648.3	613.3	648.3	661.2	638.7	664.7	678.5	665.0
4 Residential mortgages	518.2	712.3	862.0	900.4	873.3	900.4	927.2	951.2	990.9	1,044.6	1,074.6
5 FHLB advances to thrifts	88.8	108.6	133.1	152.8	141.6	152.8	163.8	161.9	151.1	141.8	132.9
6 Other loans and securities	429.7	480.5	486.6	495.0	502.1	495.0	500.3	506.4	509.0	520.5	527.9
7 Total held, by type of lender	1,460.5	1,794.7	2,044.9	2,196.5	2,130.2	2,196.5	2,252.4	2,258.2	2,315.7	2,385.3	2,400.4
8 U.S. government	246.7	253.3	238.0	212.7	226.3	212.7	208.3	207.9	205.3	206.3	209.5
9 Sponsored credit agencies and mortgage pools	659.8	869.8	1,048.9	1,113.0	1,071.2	1,113.0	1,151.1	1,154.6	1,192.6	1,243.1	1,266.4
10 Monetary authority	186.0	205.5	230.1	240.6	230.8	240.6	235.4	238.4	227.6	233.3	224.4
11 Foreign	367.9	466.1	527.9	630.3	601.9	630.3	657.6	657.3	690.1	702.7	700.1
Agency and foreign debt not in line 1											
12 Sponsored credit agencies and mortgage pools	632.7	844.2	1,026.5	1,098.4	1,054.6	1,098.4	1,140.8	1,166.5	1,202.6	1,254.1	1,282.5
13 Foreign	234.7	236.4	242.9	249.8	246.1	249.8	249.5	249.7	255.2	259.4	264.1
Private domestic holdings											
14 Total private holdings	6,202.1	6,917.1	7,559.5	8,232.5	8,027.2	8,232.5	8,378.5	8,573.1	8,733.6	8,934.8	9,133.6
15 U.S. government securities	1,803.2	2,160.6	2,418.5	2,562.8	2,500.3	2,562.8	2,630.3	2,688.5	2,737.2	2,838.3	2,971.6
16 State and local obligations	655.5	679.1	713.2	759.8	746.1	759.8	764.7	769.9	781.5	785.2	792.1
17 Corporate and foreign bonds	517.6	601.3	689.6	787.2	770.6	787.2	808.7	839.6	866.3	891.0	912.7
18 Residential mortgages	1,185.1	1,254.7	1,351.1	1,560.2	1,525.5	1,560.2	1,578.3	1,614.5	1,635.5	1,645.4	1,656.4
19 Other mortgages and loans	2,129.7	2,330.0	2,520.1	2,715.2	2,626.3	2,715.2	2,760.2	2,822.5	2,864.2	2,916.8	2,933.7
20 LESS: Federal Home Loan Bank advances	88.8	108.6	133.1	152.8	141.6	152.8	163.8	161.9	151.1	141.8	132.9
Private financial intermediation											
21 Credit market claims held by private financial institutions	5,283.1	6,025.7	6,604.6	7,167.5	7,002.7	7,167.5	7,306.9	7,461.0	7,546.1	7,703.9	7,833.1
22 Commercial banking	1,978.9	2,176.3	2,313.1	2,468.4	2,421.6	2,468.4	2,490.9	2,538.2	2,588.6	2,645.5	2,680.9
23 Savings institutions	1,191.2	1,297.9	1,445.5	1,567.7	1,535.2	1,567.7	1,565.5	1,556.1	1,526.2	1,478.7	1,446.9
24 Insurance and pension funds	1,369.7	1,544.3	1,755.2	1,953.3	1,901.9	1,953.3	2,007.0	2,050.9	2,085.2	2,136.4	2,173.8
25 Other finance	743.4	1,007.1	1,090.7	1,178.1	1,144.0	1,178.1	1,243.5	1,315.7	1,346.1	1,443.4	1,531.5
26 Sources of funds	5,283.1	6,025.7	6,604.6	7,167.5	7,002.7	7,167.5	7,306.9	7,461.0	7,546.1	7,703.9	7,833.1
27 Private domestic deposits and RPs	2,930.0	3,188.4	3,324.8	3,560.2	3,480.0	3,560.2	3,584.1	3,631.0	3,690.3	3,767.8	3,808.0
28 Credit market debt	580.5	719.5	859.0	985.7	941.9	985.7	1,050.5	1,063.5	1,060.2	1,073.2	1,068.9
29 Other sources	1,772.7	2,117.9	2,420.8	2,621.5	2,580.7	2,621.5	2,672.3	2,766.5	2,795.6	2,862.9	2,956.1
30 Foreign funds	5.6	18.6	62.2	71.5	52.0	71.5	61.8	50.0	55.7	59.9	57.9
31 Treasury balances	25.8	27.5	21.6	29.0	34.2	29.0	13.5	34.4	30.3	25.6	18.5
32 Insurance and pension reserves	1,289.4	1,427.9	1,597.2	1,761.8	1,722.3	1,761.8	1,811.2	1,844.9	1,863.9	1,909.2	1,943.5
33 Other, net	451.8	643.9	739.6	759.2	772.4	759.2	785.7	837.2	845.6	868.3	936.2
Private domestic nonfinancial investors											
34 Credit market claims	1,499.5	1,610.8	1,813.9	2,050.7	1,966.4	2,050.7	2,122.1	2,175.6	2,247.8	2,304.1	2,369.5
35 U.S. government securities	814.7	899.1	992.0	1,077.8	1,022.3	1,077.8	1,109.8	1,132.3	1,186.1	1,227.8	1,285.8
36 Tax-exempt obligations	231.9	211.2	256.8	303.7	289.0	303.7	307.2	308.8	316.3	319.5	313.2
37 Corporate and foreign bonds	38.0	77.8	102.2	93.9	106.1	93.9	125.7	135.4	141.0	147.5	158.3
38 Open market paper	131.0	136.4	160.7	200.9	185.8	200.9	208.0	218.0	221.4	210.6	206.5
39 Other	283.8	286.2	302.3	374.5	363.2	374.5	371.3	381.0	383.0	398.6	405.7
40 Deposits and currency	3,120.4	3,399.2	3,553.9	3,791.9	3,710.3	3,791.9	3,819.2	3,879.9	3,927.8	4,018.6	4,058.2
41 Currency	171.9	186.3	205.4	220.1	213.4	220.1	220.7	226.4	224.4	231.8	233.8
42 Checkable deposits	422.5	517.4	514.0	525.3	495.9	525.3	492.8	494.0	485.0	525.9	500.9
43 Small time and savings accounts	1,831.9	1,948.3	2,017.1	2,156.5	2,137.3	2,156.5	2,168.9	2,189.3	2,224.4	2,256.7	2,297.5
44 Money market fund shares	227.3	265.6	292.8	315.6	303.6	315.6	340.3	359.9	389.2	400.4	434.0
45 Large time deposits	339.9	328.5	355.2	395.9	384.7	395.9	412.5	417.2	421.8	416.9	409.2
46 Security RPs	108.3	128.5	145.7	166.9	158.6	166.9	169.6	170.7	169.8	167.9	166.5
47 Deposits in foreign countries	18.5	24.5	23.7	11.6	16.8	11.6	14.4	22.5	13.1	19.1	16.4
48 **Total of credit market instruments, deposits, and currency**	**4,619.9**	**5,010.0**	**5,367.8**	**5,842.6**	**5,676.7**	**5,842.6**	**5,941.3**	**6,055.5**	**6,175.6**	**6,322.7**	**6,427.7**
49 Public holdings as percent of total	20.8	22.8	23.8	23.5	23.4	23.5	23.7	23.4	23.5	23.7	23.4
50 Private financial intermediation (in percent)	85.2	87.1	87.4	87.1	87.2	87.1	87.2	87.0	86.4	86.2	85.8
51 Total foreign funds	373.5	484.7	590.2	701.8	653.8	701.8	719.4	707.3	745.9	762.6	758.0
MEMO: Corporate equities not included above											
52 **Total market value**	**2,823.9**	**3,360.6**	**3,325.0**	**3,620.3**	**3,577.6**	**3,620.3**	**3,731.8**	**4,072.4**	**4,398.9**	**4,382.4**	**4,335.2**
53 Mutual fund shares	240.2	413.5	460.1	478.3	478.1	478.3	486.3	514.8	539.7	551.9	548.5
54 Other equities	2,583.7	2,947.1	2,864.9	3,142.0	3,099.5	3,142.0	3,245.4	3,557.7	3,859.2	3,830.6	3,786.6
55 Holdings by financial institutions	800.0	972.1	1,013.8	1,186.1	1,160.0	1,186.1	1,253.4	1,366.3	1,500.5	1,505.0	1,476.4
56 Other holdings	2,023.9	2,388.4	2,311.2	2,434.2	2,417.6	2,434.2	2,478.4	2,706.2	2,898.4	2,877.4	2,858.7

NOTES BY LINE NUMBER.
1. Line 1 of table 1.59.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
12. Credit market debt of federally sponsored agencies, and net issues of federally related mortgage pool securities.
14. Line 1 less line 2 plus line 12 and 13. Also line 21 less line 28 plus line 34. Also sum of lines 29 and 48 less lines 41 and 47.
19. Includes farm and commercial mortgages.
27. Line 40 less lines 41 and 47.
28. Excludes equity issues and investment company shares. Includes line 20.
30. Foreign deposits at commercial banks plus bank borrowings from foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
31. Demand deposits and note balances at commercial banks.
32. Excludes net investment of these reserves in corporate equities.
33. Mainly retained earnings and net miscellaneous liabilities.
34. Line 14 less line 21 plus line 28.
35–39. Lines 15–19 less amounts acquired by private finance plus amounts borrowed by private finance. Line 39 includes mortgages.
41. Mainly an offset to line 10.
48. Lines 34 plus 40, or line 14 less line 29 plus 41 and 47.
49. Line 2/line 1 and 13.
50. Line 21/line 14.
51. Sum of lines 11 and 30.
52–54. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Stop 95, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

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

Measure	1987	1988	1989	1989		1990						
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June[r]	July
1 **Industrial production (1987 = 100)**	**100.0**	**105.4**	**108.1**	**108.1**	**108.6**	**107.5**	**108.5**	**108.9**	**108.8**	**109.4**	**109.9**	**109.9**
Market groupings												
2 Products, total (1987 = 100)	100.0	105.3	108.6	108.9	109.7	108.4	109.4	110.1	109.8	110.5	110.9	110.4
3 Final, total (1987 = 100)	100.0	105.6	109.1	109.4	110.3	108.5	109.7	110.7	110.4	111.2	111.8	111.2
4 Consumer goods (1987 = 100)	100.0	104.0	106.7	107.4	108.3	106.0	107.0	107.5	107.2	107.4	108.1	107.7
5 Equipment (1987 = 100)	100.0	107.6	112.3	112.0	112.9	111.8	113.3	114.9	114.7	116.2	116.5	115.8
6 Intermediate (1987 = 100)	100.0	104.4	106.8	107.3	107.9	108.0	108.4	108.2	108.0	108.2	108.2	107.9
7 Materials (1987 = 100)	100.0	105.6	107.4	107.0	106.9	106.2	107.1	107.1	107.3	107.8	108.4	109.1
Industry groupings												
8 Manufacturing (1987 = 100)	100.0	105.8	108.9	108.9	108.8	108.1	109.6	109.8	109.5	110.3	110.6	110.6
Capacity utilization (percent)[2]												
9 Manufacturing	81.4	83.9	83.9	83.0	82.8	82.0	83.0	82.9	82.5	82.8	82.9	82.6
10 Construction contracts (1982 = 100)[3]	164.8	166.4	170.9[r]	167.0	166.0	158.0	154.0	157.0	147.0	155.0	153.0	148.0
11 Nonagricultural employment, total[4]	123.9	128.0	131.6	132.7	132.9	133.3	133.8	133.9	133.9	134.3	134.5	134.2
12 Goods-producing, total	101.5	103.7	105.3	105.2	104.9	104.8	105.5	105.2	104.7	104.5	104.4	104.1
13 Manufacturing, total	96.7	98.6	99.6	99.1	99.0	98.3	98.8	98.7	98.6	98.5	98.3	98.3
14 Manufacturing, production- worker	91.9	93.9	94.8	93.9	93.8	92.8	93.5	93.3	93.3	93.1	93.0	93.1
15 Service-producing	133.3	138.2	142.7	144.2	144.6	145.2	145.6	145.9	146.1	146.8	147.1	146.9
16 Personal income, total	234.3[r]	253.2[r]	272.7[r]	278.1[r]	279.7[r]	281.9[r]	283.8[r]	285.8[r]	286.7	287.7	289.0	290.7
17 Wages and salary disbursements	226.4[r]	244.6[r]	258.9[r]	262.0[r]	263.9[r]	264.9[r]	266.9[r]	268.6[r]	269.9	271.0	272.6	274.2
18 Manufacturing	183.8	196.5	203.1[r]	201.7[r]	202.5[r]	201.1[r]	203.0[r]	204.6[r]	204.2	205.9	206.8	207.3
19 Disposable personal income[5]	213.6	228.0	240.6[r]	275.6[r]	277.2[r]	279.9[r]	281.7[r]	283.9[r]	283.9	284.8	286.5	288.0
20 Retail sales[6]	113.6	118.3	124.0	243.7	242.8	249.6	249.7	248.7	246.3	246.1	248.8	249.0
Prices[7]												
21 Consumer (1982–84 = 100)	113.6	118.3	124.0	125.9	126.1	127.4	128.0	128.7	128.9	129.2	129.9	130.4
22 Producer finished goods (1982 = 100)	105.4	108.0	113.6	114.9	115.4	117.6	117.4	117.2[r]	117.0	117.7	117.9	118.0

1. A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Industrial Production: 1989 Developments and Historical Revision" in the *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on Bureau of Census data published in *Survey of Current Business*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

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

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

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

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

Category	1987	1988	1989	1989	1990						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June^{r}	July
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**185,010**	**186,837**	**188,601**	**189,381**	**189,506**	**189,607**	**189,717**	**189,844**	**189,983**	**190,122**	**190,275**
2 Labor force (including Armed Forces)[1]	122,122	123,893	126,077	126,762	126,610	126,825	127,017	127,061	127,159	126,981	126,906
3 Civilian labor force	119,865	121,669	123,869	124,546	124,397	124,630	124,829	124,886	125,004	124,836	124,767
Employment											
4 Nonagricultural industries[2]	109,232	111,800	114,142	114,691	114,728	114,957	115,133	114,983	115,045	115,041	114,867
5 Agriculture	3,208	3,169	3,199	3,197	3,134	3,079	3,200	3,133	3,305	3,348	3,085
Unemployment											
6 Number	7,425	6,701	6,528	6,658	6,535	6,594	6,495	6,770	6,653	6,447	6,814
7 Rate (percent of civilian labor force)	6.2	5.5	5.3	5.3	5.3	5.3	5.2	5.4	5.3	5.2	5.5
8 Not in labor force	62,888	62,944	62,524	62,619	62,896	62,782	62,700	62,783	62,824	63,141	63,369
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**102,200**	**105,584**	**108,573**	**109,570**	**109,931**	**110,304**	**110,427**	**110,401**	**110,770**^{r}	**110,925**	**110,706**
10 Manufacturing	19,024	19,403	19,611	19,489	19,355	19,452	19,423	19,403	19,383^{r}	19,360	19,353
11 Mining	717	721	722	739	745	749	751	755	758	764	763
12 Contract construction	4,967	5,125	5,302	5,304	5,418	5,485	5,432	5,323	5,309^{r}	5,281	5,230
13 Transportation and public utilities	5,372	5,548	5,703	5,834	5,850	5,865	5,875	5,875	5,895^{r}	5,905	5,910
14 Trade	24,327	25,139	25,807	26,029	26,154	26,126	26,127	26,147	26,178^{r}	26,186	26,200
15 Finance	6,547	6,676	6,814	6,885	6,896	6,916	6,922	6,921	6,933^{r}	6,936	6,942
16 Service	24,236	25,600	26,889	27,419	27,557	27,709	27,783	27,763	27,840^{r}	27,982	27,971
17 Government	17,010	17,372	17,726	17,871	17,956	18,002	18,114	18,214	18,474^{r}	18,511	18,337

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

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

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

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1989 Q3	1989 Q4	1990 Q1	1990 Q2[r]	1989 Q3	1989 Q4	1990 Q1	1990 Q2	1989 Q3	1989 Q4	1990 Q1	1990 Q2[r]
	Output (1987 = 100)				Capacity (percent of 1987 output)				Utilization rate (percent)			
1 **Total industry**	**108.1**	**108.1**	**108.3**	**109.4**	**128.8**	**129.5**	**130.3**	**131.2**	**84.0**	**83.5**	**83.1**	**83.4**
2 Mining	100.8	100.6	101.3	102.7	116.7	116.1	115.7	115.2	86.4	86.7	87.6	89.1
3 Utilities	106.2	110.6	105.7	107.6	125.5	125.7	126.0	126.4	84.6	88.0	83.9	85.1
4 **Manufacturing**	**108.9**	**108.7**	**109.2**	**110.2**	**130.2**	**131.1**	**132.1**	**133.2**	**83.7**	**82.9**	**82.6**	**82.7**
5 Primary processing	106.4	106.1	106.4	106.2	122.7	123.4	124.2	124.9	86.7	85.9	85.7	85.0
6 Advanced processing	110.1	109.9	110.5	112.0	133.7	134.7	135.8	137.0	82.4	81.6	81.4	81.8

Series	Previous cycle[2] High	Previous cycle[2] Low	Latest cycle[3] High	Latest cycle[3] Low	1989 July	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.[r]	1990 May[r]	1990 June[r]	1990 July[p]
	Capacity utilization rate (percent)													
7 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**83.9**	**83.5**	**83.7**	**82.7**	**83.2**	**83.4**	**83.1**	**83.4**	**83.6**	**83.4**
8 Mining	94.4	88.4	96.6	80.6	85.6	87.1	86.3	87.8	87.3	87.5	89.2	89.0	89.1	90.2
9 Utilities	95.6	82.5	88.3	76.2	85.0	86.2	92.3	84.8	82.5	84.2	84.5	84.7	86.2	85.7
10 **Manufacturing**	**88.9**	**70.8**	**87.3**	**70.0**	**83.6**	**83.0**	**82.8**	**82.0**	**83.0**	**82.9**	**82.5**	**82.8**	**82.9**	**82.6**
11 Primary processing	92.2	68.9	89.7	66.8	87.2	86.1	85.2	85.7	86.1	85.2	85.0	84.9	85.2	85.5
12 Advanced processing	87.5	72.0	86.3	71.4	82.2	81.7	81.8	80.5	81.7	82.0	81.5	82.0	81.9	81.4

1. These data also appear in the Board's G.17 (419) release. For address, see inside front cover. For a detailed description of the series, see "Recent Developments in Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pages 411–35.

2. Monthly high 1973; monthly low 1975.

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

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data are seasonally adjusted

Groups	1987 proportion	1989 avg.	1989 July	Aug.	Sept.	Oct.	Nov.	Dec.	1990 Jan.	Feb.	Mar.	Apr.[r]	May[r]	June[r]	July[p]
			Index (1987 = 100)												
MAJOR MARKET															
1 **Total index**	**100.0**	**108.1**	**107.8**	**108.2**	**108.2**	**107.7**	**108.1**	**108.6**	**107.5**	**108.5**	**108.9**	**108.8**	**109.4**	**109.9**	**109.9**
2 **Products**	**60.8**	**108.6**	**108.2**	**108.5**	**108.8**	**108.1**	**108.9**	**109.7**	**108.4**	**109.4**	**110.1**	**109.8**	**110.5**	**110.9**	**110.4**
3 Final products	46.0	109.1	108.7	109.1	109.6	108.5	109.4	110.3	108.5	109.7	110.7	110.4	111.2	111.8	111.2
4 Consumer goods	26.0	106.7	105.2	105.6	106.3	107.3	107.4	108.3	106.0	107.0	107.5	107.2	107.4	108.1	107.7
5 Durable consumer goods	5.6	107.9	105.6	105.8	107.6	106.8	105.7	106.8	99.4	106.2	110.8	107.3	109.2	111.9	108.9
6 Automotive products	2.5	106.9	101.1	103.2	104.9	102.9	102.4	104.5	85.2	99.3	109.3	102.4	107.0	112.1	107.1
7 Autos and trucks	1.5	105.7	97.1	101.1	103.1	99.7	98.4	100.1	66.3	92.7	107.7	95.8	105.6	112.9	104.8
8 Autos, consumer	.9	101.2	89.3	95.1	102.0	100.7	92.8	92.6	62.1	86.9	100.5	87.7	96.8	103.8	98.0
9 Trucks, consumer	.6	113.3	110.1	111.3	105.0	98.2	108.0	112.6	73.3	102.3	120.0	109.3	120.4	128.3	116.2
10 Auto parts and allied goods	1.0	108.7	107.0	106.3	107.4	107.6	108.2	111.2	113.6	109.4	111.6	112.2	109.1	110.9	110.6
11 Other	3.1	108.7	109.2	107.9	109.8	109.8	108.4	108.6	110.6	111.6	112.0	111.2	111.0	111.8	110.4
12 Appliances, A/C, and TV	.8	106.7	107.5	106.5	109.3	107.6	102.0	101.0	108.4	107.8	108.1	104.4	103.6	107.6	102.9
13 Carpeting and furniture	.9	101.5	101.0	98.1	100.9	101.1	100.4	102.0	103.7	104.7	105.9	107.5	107.3	107.2	107.8
14 Miscellaneous home goods	1.4	114.5	115.4	114.8	115.8	116.6	117.1	117.1	116.2	118.2	118.0	117.3	117.5	117.0	116.2
15 Nondurable consumer goods	20.4	106.4	105.1	105.6	106.0	107.4	107.8	108.7	107.8	107.2	106.6	107.1	106.9	107.1	107.4
16 Foods and tobacco	9.1	104.2	102.2	103.3	103.7	105.6	105.8	106.4	105.5	106.2	105.8	105.6	105.3	105.1	105.4
17 Clothing	2.6	101.6	101.4	100.3	101.6	101.9	100.1	99.4	100.6	99.6	97.0	96.0	96.5	95.8	96.2
18 Chemical products	3.5	109.4	109.6	110.1	107.8	110.3	111.3	110.3	112.7	112.0	111.0	113.5	113.0	112.8	113.2
19 Paper products	2.5	114.3	113.1	114.1	116.2	117.2	118.1	116.9	116.2	117.6	116.4	118.1	118.6	118.4	118.5
20 Energy	2.7	106.7	105.2	104.7	106.0	106.0	108.0	115.2	107.9	101.5	103.1	104.1	103.4	106.6	106.9
21 Fuels	.7	102.8	104.5	102.3	103.4	103.1	103.0	100.5	105.1	106.6	101.8	101.6	98.2	102.8	105.7
22 Residential utilities	2.0	108.1	105.5	105.6	106.9	107.0	109.8	120.7	109.0	99.6	103.6	105.0	105.3	108.0	107.3
23 **Equipment, total**	**20.0**	**112.3**	**113.2**	**113.6**	**113.8**	**110.1**	**112.0**	**112.9**	**111.8**	**113.3**	**114.9**	**114.7**	**116.2**	**116.5**	**115.8**
24 Business equipment	13.9	119.1	119.9	120.4	120.7	116.0	118.7	119.9	118.0	120.1	122.2	121.6	123.6	123.9	123.1
25 Information processing and related	5.6	121.7	122.7	122.0	123.7	119.9	123.5	124.0	124.0	124.7	126.0	126.4	126.8	126.2	125.7
26 Office and computing	1.9	137.2	137.1	139.3	141.8	132.8	141.0	142.7	142.7	144.3	147.2	149.3	148.9	148.1	146.0
27 Industrial	4.0	113.8	115.1	113.8	113.8	112.4	113.4	112.8	113.5	113.4	113.9	114.2	115.5	115.3	116.0
28 Transit	2.5	123.8	123.8	128.4	127.0	112.9	117.0	123.4	111.4	122.7	130.6	126.2	132.5	136.7	133.2
29 Autos and trucks	1.2	103.9	95.9	101.6	103.1	97.6	98.0	97.6	69.6	91.7	104.5	95.2	105.7	112.3	103.6
30 Other	1.9	116.5	116.4	118.6	119.1	116.3	117.8	118.5	118.7	117.4	117.8	117.6	119.6	118.5	117.6
31 Defense and space equipment	5.4	97.4	98.7	98.9	98.9	96.6	96.7	96.6	97.5	97.6	97.5	97.3	97.5	97.4	97.4
32 Oil and gas well drilling	.6	93.7	95.3	95.3	97.3	97.3	99.9	100.3	98.3	100.1	106.0	114.3	118.6	122.7	115.9
33 Manufactured homes	.2	92.3	86.5	89.5	87.5	87.9	89.4	91.6	91.6	94.3	92.9	89.7	91.3	93.1	93.3
34 Intermediate products, total	14.7	106.8	106.7	106.4	106.3	106.9	107.3	107.9	108.0	108.4	108.2	108.0	108.2	108.2	107.9
35 Construction supplies	6.0	106.1	106.5	105.5	105.2	106.3	107.0	107.4	107.9	108.2	107.3	106.4	105.5	105.5	104.3
36 Business supplies	8.7	107.3	106.8	106.9	107.0	107.3	107.5	108.2	108.0	108.5	108.9	109.1	110.1	110.1	110.4
37 **Materials, total**	**39.2**	**107.4**	**107.3**	**107.8**	**107.4**	**107.1**	**107.0**	**106.9**	**106.2**	**107.1**	**107.1**	**107.3**	**107.8**	**108.4**	**109.1**
38 Durable goods materials	19.4	111.6	111.5	112.0	112.0	110.8	110.8	110.4	109.4	110.8	110.9	110.9	112.5	113.2	113.7
39 Durable consumer parts	4.2	109.0	107.7	109.2	108.8	106.9	105.7	102.5	96.5	102.8	104.5	103.2	108.5	108.2	108.3
40 Equipment parts	7.3	114.7	115.0	115.6	115.5	114.4	115.3	115.8	116.5	117.6	117.6	117.4	118.0	118.7	119.1
41 Other	7.9	110.2	110.4	110.4	110.6	109.5	109.4	109.5	109.7	108.7	108.1	108.9	109.6	110.9	111.6
42 Basic metal materials	2.8	112.1	113.1	113.0	112.9	111.0	108.6	109.3	108.5	109.9	107.5	110.2	109.2	112.0	113.6
43 Nondurable goods materials	9.0	105.3	106.7	105.7	104.2	106.1	104.9	104.3	105.4	105.8	105.2	106.1	105.2	105.9	106.5
44 Textile materials	1.2	99.8	104.9	102.1	99.6	98.6	96.1	95.8	94.6	96.2	94.9	95.6	97.4	98.5	97.8
45 Pulp and paper materials	1.9	103.8	104.8	103.6	104.1	107.7	104.6	103.7	105.0	105.3	103.0	106.0	104.5	104.8	106.6
46 Chemical materials	3.8	106.4	108.2	107.3	104.5	106.8	105.8	103.8	105.8	107.3	107.5	107.4	105.3	107.2	107.9
47 Other	2.1	107.6	106.8	107.0	106.5	107.5	108.4	110.4	110.9	108.8	108.7	109.8	109.8	108.7	108.6
48 Energy materials	10.9	101.4	100.1	101.7	101.6	101.3	101.9	102.7	101.2	101.7	102.0	101.8	101.5	101.7	102.9
49 Primary energy	7.2	99.9	100.0	102.5	100.7	99.8	100.5	99.0	101.1	102.1	101.2	100.3	100.5	100.2	102.3
50 Converted-fuel materials	3.7	104.3	100.4	100.4	103.6	104.2	104.5	110.0	101.4	100.9	103.4	104.6	103.7	104.8	104.2
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.3	108.2	108.2	108.4	108.4	108.0	108.4	108.9	108.6	108.9	109.0	109.2	109.5	109.8	110.1
52 Total excluding motor vehicles and parts	95.3	108.3	108.3	108.5	108.5	108.1	108.6	109.1	109.0	109.2	109.2	109.5	109.7	110.0	110.2
53 Total excluding office and computing machines	97.5	107.4	107.1	107.5	107.4	107.1	107.3	107.7	106.6	107.6	108.0	107.8	108.4	109.0	109.0
54 Consumer goods excluding autos and trucks	24.5	106.8	105.7	105.9	106.5	107.7	107.9	108.8	108.4	107.8	107.5	107.9	107.5	107.9	107.9
55 Consumer goods excluding energy	23.3	106.7	105.2	105.8	106.4	107.4	107.3	107.5	105.8	107.6	108.0	107.5	107.9	108.3	107.8
56 Business equipment excluding autos and trucks	12.7	120.6	122.3	122.3	122.4	117.8	120.7	122.1	122.8	122.9	124.0	124.2	125.3	125.0	125.0
57 Business equipment excluding office and computing equipment	12.0	116.2	117.2	117.4	117.3	113.3	115.0	116.2	114.0	116.2	118.2	117.2	119.5	119.9	119.4
58 Materials excluding energy	28.4	109.6	110.0	110.0	109.5	109.3	108.9	108.4	108.1	109.2	109.1	109.4	110.2	110.9	111.4

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

Groups	SIC code	1987 proportion	1989 avg.	1989 July	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.r	1990 May r	1990 June r	1990 July p
				Index (1987 = 100)												
MAJOR INDUSTRY																
1 **Total index**	....	100.0	108.1	107.8	108.2	108.2	107.7	108.1	108.6	107.5	108.5	108.9	108.8	109.4	109.9	109.9
2 Manufacturing	....	84.4	108.9	108.6	109.1	109.1	108.4	108.9	108.8	108.1	109.6	109.8	109.5	110.3	110.6	110.6
3 Primary processing	....	26.7	106.4	106.8	106.6	105.8	106.6	106.2	105.3	106.2	106.9	106.0	105.9	106.0	106.7	107.2
4 Advanced processing	....	57.7	110.1	109.5	110.2	110.6	109.3	110.1	110.4	109.0	110.9	111.7	111.3	112.3	112.5	112.2
5 Durable	....	47.3	110.9	110.6	111.3	111.5	109.4	110.1	110.4	108.6	110.7	111.9	111.1	112.6	113.0	112.6
6 Lumber and products	24	2.0	103.0	102.8	102.4	102.6	103.2	104.8	106.4	106.0	104.3	105.0	103.3	101.4	101.1	100.9
7 Furniture and fixtures	25	1.4	105.3	104.9	104.5	105.7	105.6	104.4	105.1	105.1	104.8	105.9	107.6	108.2	107.8	108.3
8 Clay, glass, and stone products	32	2.5	108.0	106.2	107.8	106.5	107.7	108.2	108.6	110.0	108.0	107.7	105.1	106.4	105.7	104.3
9 Primary metals	33	3.3	109.2	108.8	111.7	109.9	108.6	104.8	102.6	105.0	107.9	105.4	106.4	106.2	109.6	111.2
10 Iron and steel	331,2	1.9	109.3	107.5	109.8	109.7	109.2	104.1	100.3	104.6	110.6	106.1	106.7	105.5	111.4	113.8
11 Raw steel	....	.1	108.5	109.7	106.8	102.9	106.4	100.6	97.6	109.9	109.0	105.9	104.9	107.6	111.8	114.7
12 Nonferrous	333–6,9	1.4	109.0	110.4	114.0	109.8	107.6	105.8	105.8	105.6	104.0	104.3	105.9	107.1	107.0	107.5
13 Fabricated metal products	34	5.4	107.2	107.6	106.5	106.0	105.9	106.9	106.3	105.1	105.6	105.5	105.0	107.0	106.8	107.3
14 Nonelectrical machinery	35	8.6	121.8	121.6	121.8	123.4	119.0	122.9	123.8	123.7	124.2	125.2	125.7	126.9	126.3	125.8
15 Office and computing machines	357	2.5	137.2	137.1	139.3	141.8	132.8	141.0	142.7	142.7	144.3	147.3	149.3	149.0	148.2	146.0
16 Electrical machinery	36	8.6	109.5	108.6	110.6	110.8	110.2	110.1	110.1	110.1	111.0	112.3	111.3	112.1	112.6	112.2
17 Transportation equipment	37	9.8	107.2	106.6	107.8	108.0	102.1	102.8	104.4	94.7	103.5	107.9	105.1	109.0	110.9	108.8
18 Motor vehicles and parts	371	4.7	104.9	99.6	102.7	103.2	99.7	99.0	98.7	76.8	94.1	103.5	95.8	104.0	108.0	102.9
19 Autos and light trucks	....	2.3	105.0	95.9	100.2	102.9	99.9	97.6	99.0	65.7	91.8	106.7	94.6	104.3	111.6	103.8
20 Aerospace and miscellaneous transportation equipment	372–6,9	5.1	109.3	113.0	112.4	112.3	104.3	106.3	109.6	111.0	111.9	111.9	113.4	113.5	113.5	114.2
21 Instruments	38	3.3	116.4	118.5	116.4	116.2	116.1	115.6	114.8	116.0	116.2	115.7	115.8	116.8	115.9	116.6
22 Miscellaneous manufactures	39	1.2	114.9	115.9	116.5	116.2	116.9	117.0	116.4	117.0	118.1	118.6	118.6	119.1	118.6	118.3
23 Nondurable	....	37.2	106.4	106.1	106.2	106.0	107.2	107.3	106.7	107.5	108.3	107.2	107.5	107.4	107.6	108.0
24 Foods	20	8.8	105.5	104.0	104.8	105.4	106.8	107.4	108.0	106.8	107.4	107.1	107.0	106.8	106.8	106.9
25 Tobacco products	21	1.0	99.7	94.2	95.0	93.3	99.7	98.8	98.5	101.3	102.3	100.0	98.8	97.2	95.6	97.9
26 Textile mill products	22	1.8	101.9	104.2	101.5	101.5	101.9	99.3	99.8	100.6	103.0	99.8	100.9	102.7	103.0	102.3
27 Apparel products	23	2.4	104.3	104.4	104.7	104.5	103.9	103.7	102.6	102.4	102.1	99.8	98.7	99.2	99.6	100.1
28 Paper and products	26	3.6	103.2	104.1	103.0	102.2	105.3	104.1	103.4	103.8	105.0	102.8	105.3	104.0	103.9	105.0
29 Printing and publishing	27	6.4	108.5	106.6	107.8	109.4	109.3	109.6	109.6	110.7	112.1	111.4	112.0	112.8	112.4	112.3
30 Chemicals and products	28	8.6	108.5	109.7	109.6	107.5	109.4	109.8	107.6	109.9	110.5	109.5	110.3	109.2	110.0	110.4
31 Petroleum products	29	1.3	106.1	108.2	107.0	108.7	106.9	109.3	104.3	108.6	112.0	109.1	106.8	104.6	107.8	109.6
32 Rubber and plastic products	30	3.0	108.9	109.0	109.0	108.5	108.8	109.1	110.1	110.7	109.1	109.8	109.0	110.9	111.4	111.7
33 Leather and products	31	.3	103.7	103.7	103.2	103.5	102.2	99.4	103.0	104.3	102.9	103.3	102.6	103.5	101.0	102.5
34 Mining	....	7.9	100.5	100.0	100.7	101.6	100.7	101.2	100.1	101.7	101.0	101.1	102.9	102.6	102.6	103.7
35 Metal	10	.3	141.4	151.7	144.3	145.4	143.2	145.9	155.5	144.8	143.4	141.4	152.7	148.5	151.4	156.5
36 Coal	11,12	1.2	105.7	101.1	103.1	109.6	109.9	108.1	103.5	114.1	111.9	112.9	114.2	110.0	113.5	120.8
37 Oil and gas extraction	13	5.7	95.5	94.9	96.3	95.9	94.3	95.5	94.0	94.4	94.1	94.6	95.7	96.4	95.3	95.1
38 Stone and earth minerals	14	.7	113.9	116.8	113.3	114.1	118.0	115.8	119.7	121.2	120.0	116.5	120.2	120.1	121.9	121.0
39 Utilities	....	7.6	107.1	106.6	106.2	105.9	107.4	108.3	116.1	106.8	104.0	106.2	106.7	107.0	109.1	108.6
40 Electric	491,3PT	6.0	108.1	108.5	108.1	107.1	109.7	109.5	116.3	108.3	107.1	109.7	109.7	110.1	112.3	111.8
41 Gas	492,3PT	1.6	103.0	99.3	99.2	101.0	99.1	103.9	115.6	101.2	92.3	93.3	95.5	95.4	97.0	96.5
SPECIAL AGGREGATES																
42 Manufacturing excluding motor vehicles and parts	....	79.8	109.2	109.2	109.5	109.5	108.9	109.4	109.3	109.9	110.5	110.2	110.3	110.7	110.8	111.0
43 Manufacturing excluding office and computing machines	....	82.0	108.1	107.8	108.2	108.1	107.7	107.9	107.7	107.1	108.6	108.7	108.3	109.1	109.5	109.5
	Gross value (billions of 1982 dollars, annual rates)															
MAJOR MARKET																
44 **Products, total**	....	**1734.8**	**1,889.8**	**1,869.0**	**1,883.7**	**1,894.3**	**1,878.3**	**1,896.9**	**1,905.5**	**1,863.6**	**1,903.3**	**1,922.6**	**1,906.2**	**1,918.6**	**1,937.6**	**1,922.5**
45 Final	....	1350.9	1,480.1	1,459.6	1,475.3	1,486.2	1,465.6	1,482.8	1,492.5	1,447.9	1,488.3	1,507.5	1,493.9	1,506.2	1,524.1	1,509.9
46 Consumer goods	....	833.4	884.6	868.9	870.1	878.8	883.2	889.0	898.6	864.3	888.6	893.4	883.9	886.0	897.0	890.6
47 Equipment	....	517.5	595.5	590.8	605.3	607.5	582.4	593.8	594.0	583.6	599.8	614.1	610.0	620.2	627.0	619.3
48 Intermediate	....	384.0	409.7	409.3	408.4	408.1	412.7	414.1	413.0	415.7	415.0	415.1	412.3	412.5	413.6	412.6

1. These data also appear in the Board's G.17 (419) release. For requests see address inside front cover.
A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Recent Developments in Industrial Capacity and Utilization" and accompanying tables that contain revised indexes (1987=100) in the *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35.

2.14 HOUSING AND CONSTRUCTION

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

Item	1987	1988	1989	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.[r]	1990 May	1990 June
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,535	1,456	1,339	1,310	1,362	1,364	1,416	1,739	1,297	1,232	1,108	1,065	1,108
2 1-family	1,024	994	932	946	959	984	984	985	974	912	813	802	796
3 2-or-more-family	511	462	407	364	403	380	432	754	323	320	295	263	312
4 Started	1,621	1,488	1,376	1,263	1,423	1,347	1,273	1,568	1,488	1,307	1,216	1,206	1,179
5 1-family	1,146	1,081	1,003	969	1,023	1,010	931	1,099	1,154	996	898	897	885
6 2-or-more-family	474	407	373	294	400	337	342	469	334	311	318	309	294
7 Under construction, end of period[1]	987	919	850	892	894	881	886	892	900	887	876	860	847
8 1-family	591	570	535	565	565	558	567	571	575	567	559	549	539
9 2-or-more-family	397	350	315	327	329	323	319	321	325	320	317	311	308
10 Completed	1,669	1,530	1,423	1,366	1,317	1,486	1,302	1,443	1,351	1,378	1,295	1,353	1,279
11 1-family	1,123	1,085	1,026	959	987	1,078	933	1,031	1,041	1,037	942	998	948
12 2-or-more-family	546	445	396	407	330	408	369	412	310	341	353	355	331
13 Mobile homes shipped	233	218	198	186	190	189	189	195	200	193	189	191	191
Merchant builder activity in 1-family units													
14 Number sold	672	675	650	638	636	687	633	613	606	558[r]	533	536	561
15 Number for sale, end of period[1]	366	367	362	364	363	363	362	365	366	363	363	359	353
Price (thousands of dollars)[2]													
Median													
16 Units sold	104.7	113.3	120.4	120.0	123.0	125.0	125.2	125.0	126.9	119.4[r]	130.0	125.0	127.0
Average													
17 Units sold	127.9	139.0	148.3	151.1	147.8	151.4	154.3	151.7	150.9	144.6[r]	153.4	157.0	152.1
EXISTING UNITS (1-family)													
18 Number sold	3,530	3,594	3,439	3,510	3,490	3,560	3,560	3,520	3,400	3,400	3,330	3,300	3,330
Price of units sold (thousands of dollars)[2]													
19 Median	85.6	89.2	93.0	93.8	92.4	93.1	92.5	96.3	95.2	96.3	95.6	95.6	97.5
20 Average	106.2	112.5	118.0	118.3	116.7	117.9	118.1	120.0	118.3	119.5	117.8	118.7	121.1
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**410,209**	**422,076**	**432,068**	**433,430**	**429,277**	**433,381**	**431,995**	**445,959**	**455,571**	**457,272**	**448,841**	**447,644**	**447,479**
22 Private	319,641	327,102	333,514	332,087	332,131	329,847	325,011	338,078	343,118	347,366	344,324	339,151	339,112
23 Residential	194,656	198,101	196,551	192,980	192,087	190,855	189,636	200,149	203,013	206,868	205,092	200,537	196,079
24 Nonresidential, total	124,985	129,001	136,963	139,107	140,044	138,992	135,375	137,929	140,105	140,498	139,232	138,614	143,033
Buildings													
25 Industrial	13,707	14,931	18,506	19,976	19,175	19,134	18,863	19,680	21,072	21,086	21,152	20,993	21,437
26 Commercial	55,448	58,104	59,389	59,279	61,353	59,627	57,090	57,376	58,748	57,210	55,770	54,674	57,274
27 Other	15,464	17,278	17,848	18,696	17,868	18,160	16,612	17,706	16,964	17,646	18,290	18,423	19,702
28 Public utilities and other	40,366	38,688	41,220	41,156	41,648	42,071	42,810	43,167	43,321	44,556	44,020	44,524	44,620
29 Public	90,566	94,971	98,551	101,343	97,146	103,534	106,984	107,881	112,453	109,906	104,517	108,494	108,368
30 Military	4,327	3,579	3,520	4,942	2,076	3,664	3,552	3,838	3,886	5,099	3,702	3,947	4,133
31 Highway	26,958	30,140	29,502	29,696	28,426	30,376	33,450	31,901	37,018	32,374	29,826	30,686	29,682
32 Conservation and development	5,519	4,726	4,969	5,186	4,953	4,916	5,371	5,192	5,559	4,996	5,014	5,474	3,926
33 Other	53,762	56,526	60,560	61,519	61,691	64,578	64,611	66,950	65,990	67,437	65,975	68,387	70,627

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 previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

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

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level July 1990
			1989		1990		1990					
	1989 July	1990 July	Sept.	Dec.	Mar.[r]	June[r]	Mar.	Apr.	May	June	July	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**5.0**	**4.8**	**2.3**	**4.9**	**8.5**	**3.5**	**.5**	**.2**	**.2**	**.5**	**.4**	**130.4**
2 Food	5.6	5.7	3.6	5.5	11.4	2.1	.3	−.2	.0	.8	.4	132.7
3 Energy items	7.8	.4	−12.6	3.9	14.8	−2.0	−.8	−.4	−.7	.6	−.7	98.9
4 All items less food and energy	4.6	5.0	3.5	4.7	7.5	3.9	.7	.2	.3	.4	.6	135.5
5 Commodities	3.1	3.5	1.3	3.4	7.8	.7	.5	.0	.1	.1	.3	122.9
6 Services	5.3	5.9	4.5	5.7	7.2	5.5	.7	.4	.4	.6	.7	142.8
PRODUCER PRICES (1982=100)												
7 Finished goods	5.1	3.4	.4	5.0	7.1	.3	−.2[r]	−.3	.3	.2	−.1	118.0
8 Consumer foods	4.8	5.0	.7	12.4	10.6	−2.9	−.5[r]	−.9[r]	.6	−.4	.0	124.9
9 Consumer energy	11.6	−.9	−15.3	−5.3	24.7	−14.3	−2.7[r]	−1.9[r]	−1.0	−.9	−.5	67.8
10 Other consumer goods	4.5	3.8	2.3	4.2	3.5	5.1	.3	.1	.5	.7	−.2	128.8
11 Capital equipment	3.9	3.2	4.4	2.0	4.0	1.7	.4[r]	.0[r]	.0	.4	.3	122.5
12 Intermediate materials[3]	4.3	.4	−.7	−.4	2.5	−1.1	.0	.0	−.1	−.2	−.1	112.8
13 Excluding energy	3.9	.2	−.7	−1.0	1.0	.7	.3	.2[r]	.1	−.1	.1	120.5
Crude materials												
14 Foods	.0	4.8	−2.2	19.2	9.1	−11.5	.9[r]	−.9[r]	−2.5	.4	1.0	115.4
15 Energy	17.2	−12.0	−7.0	13.2	.5	−38.9	−4.8[r]	−7.6[r]	2.1	−6.2	−.1	69.4
16 Other	2.0	1.6	.6	−15.3	4.0	10.9	1.9[r]	2.2	1.0	−.6	.9	137.7

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

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1987	1988	1989	1989			1990	
				Q2	Q3	Q4	Q1	Q2[r]
GROSS NATIONAL PRODUCT								
1 **Total**	**4,515.6**	**4,873.7**	**5,200.8**	**5,174.0**	**5,238.6**	**5,289.3**	**5,375.4**	**5,451.9**
By source								
2 Personal consumption expenditures	3,009.4	3,238.2	3,450.1	3,425.9	3,484.3	3,518.5	3,588.1	3,623.9
3 Durable goods	423.4	457.5	474.6	473.6	487.1	471.2	492.1	479.3
4 Nondurable goods	1,001.3	1,060.0	1,130.0	1,127.1	1,137.3	1,148.8	1,174.7	1,178.7
5 Services	1,584.7	1,720.7	1,845.5	1,825.1	1,859.8	1,898.5	1,921.3	1,965.9
6 Gross private domestic investment	699.5	747.1	771.2	776.7	775.8	762.7	747.2	760.5
7 Fixed investment	671.2	720.8	742.9	744.0	746.9	737.7	758.9	745.7
8 Nonresidential	444.9	488.4	511.9	511.4	518.1	511.8	523.1	516.3
9 Structures	133.7	139.9	146.2	144.2	147.0	147.1	148.8	148.2
10 Producers' durable equipment	311.2	348.4	365.7	367.2	371.0	364.7	374.3	368.1
11 Residential structures	226.3	232.5	231.0	232.7	228.9	225.9	235.9	229.4
12 Change in business inventories	28.3	26.2	28.3	32.7	28.9	25.0	−11.8	14.8
13 Nonfarm	32.3	29.8	23.3	26.1	26.2	24.1	−17.0	14.4
14 Net exports of goods and services	−114.7	−74.1	−46.1	−51.3	−49.3	−35.3	−30.0	−19.1
15 Exports	449.6	552.0	626.2	628.8	623.7	642.8	661.3	662.9
16 Imports	564.3	626.1	672.3	680.0	673.0	678.1	691.3	682.0
17 Government purchases of goods and services	921.4	962.5	1,025.6	1,022.7	1,027.8	1,043.3	1,070.1	1,086.6
18 Federal	381.3	380.3	400.0	402.5	399.2	399.9	410.6	421.7
19 State and local	540.2	582.3	625.6	620.2	628.6	643.4	659.6	664.8
By major type of product								
20 Final sales, total	4,487.3	4,847.5	5,172.5	5,141.3	5,209.7	5,264.3	5,387.2	5,437.1
21 Goods	1,788.4	1,935.1	2,072.7	2,079.4	2,090.2	2,085.9	2,111.0	2,148.4
22 Durable	780.5	860.2	906.7	904.6	922.1	907.4	919.9	933.1
23 Nondurable	1,007.9	1,074.9	1,166.1	1,174.9	1,168.1	1,178.6	1,191.2	1,215.3
24 Services	2,292.4	2,488.6	2,671.2	2,639.2	2,693.3	2,747.5	2,791.3	2,839.7
25 Structures	434.9	450.0	456.9	455.3	455.0	455.9	473.0	463.8
26 Change in business inventories	28.3	26.2	28.3	32.7	28.9	25.0	−11.8	14.8
27 Durable goods	22.9	19.9	11.9	8.4	6.6	13.2	−21.6	2.8
28 Nondurable goods	5.4	6.4	16.4	24.3	22.2	11.9	9.8	12.0
MEMO								
29 **Total GNP in 1982 dollars**	**3,845.3**	**4,016.9**	**4,117.7**	**4,112.2**	**4,129.7**	**4,133.2**	**4,150.6**	**4,162.8**
NATIONAL INCOME								
30 **Total**	**3,660.3**	**3,984.9**	**4,223.3**	**4,216.8**	**4,232.1**	**4,267.1**	**4,350.3**	**4,415.9**
31 Compensation of employees	2,686.4	2,905.1	3,079.0	3,062.6	3,095.2	3,128.6	3,180.4	3,231.1
32 Wages and salaries	2,249.7	2,431.1	2,573.2	2,560.0	2,586.6	2,612.7	2,651.6	2,695.1
33 Government and government enterprises	419.4	446.6	476.6	473.2	479.9	486.7	497.1	505.7
34 Other	1,830.3	1,984.5	2,096.6	2,086.9	2,106.7	2,126.0	2,154.5	2,189.4
35 Supplement to wages and salaries	436.6	474.0	505.8	502.6	508.6	515.9	528.8	536.0
36 Employer contributions for social insurance	227.2	248.5	263.9	262.6	265.1	268.4	276.0	279.6
37 Other labor income	209.4	225.5	241.9	239.9	243.5	247.5	252.8	256.4
38 Proprietors' income[1]	323.4	354.2	379.3	379.6	368.1	381.7	404.0	402.9
39 Business and professional[1]	280.6	310.5	330.7	329.1	329.5	336.0	346.6	352.2
40 Farm[1]	42.8	43.7	48.6	50.5	38.7	45.7	57.4	50.6
41 Rental income of persons[2]	13.7	16.3	8.2	9.7	5.8	4.1	5.5	4.9
42 Corporate profits[1]	308.3	337.6	311.6	321.4	306.7	290.9	296.8	306.5
43 Profits before tax[3]	275.3	316.7	307.7	314.6	291.4	289.8	296.9	297.6
44 Inventory valuation adjustment	−19.4	−27.0	−21.7	−23.1	−6.1	−14.5	−11.4	1.2
45 Capital consumption adjustment	52.4	47.8	25.5	29.9	21.4	15.6	11.3	7.7
46 Net interest	328.6	371.8	445.1	443.4	456.2	461.7	463.6	470.6

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

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1987	1988	1989	1989 Q2	1989 Q3	1989 Q4	1990 Q1	1990 Q2[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,766.4**	**4,070.8**	**4,384.3**	**4,362.9**	**4,402.8**	**4,469.2**	**4,562.8**	**4,626.2**
2 Wage and salary disbursements	2,249.7	2,431.1	2,573.2	2,560.0	2,586.6	2,612.7	2,651.6	2,695.1
3 Commodity-producing industries	649.9	696.4	720.6	719.3	722.3	721.4	724.6	730.0
4 Manufacturing	490.3	524.0	541.8	541.4	543.2	540.9	541.2	548.4
5 Distributive industries	531.8	572.0	604.7	602.6	607.1	614.6	627.0	637.4
6 Service industries	648.5	716.2	771.4	764.9	777.4	790.0	802.9	822.0
7 Government and government enterprises	419.4	446.6	476.6	473.2	479.9	486.7	497.1	505.7
8 Other labor income	209.4	225.5	241.9	239.9	243.5	247.5	252.8	256.4
9 Proprietors' income[1]	323.4	354.2	379.3	379.6	368.1	381.7	404.0	402.9
10 Business and professional[1]	280.6	310.5	330.7	329.1	329.5	336.0	346.6	352.2
11 Farm[1]	42.8	43.7	48.6	50.5	38.7	45.7	57.4	50.6
12 Rental income of persons[2]	13.7	16.3	8.2	9.7	5.8	4.1	5.5	4.9
13 Dividends	91.8	102.2	114.4	113.2	115.7	118.2	120.5	122.9
14 Personal interest income	501.3	547.9	643.2	642.1	655.2	664.9	670.5	681.3
15 Transfer payments	549.9	587.7	636.9	630.2	641.8	655.9	680.9	686.9
16 Old-age survivors, disability, and health insurance benefits	282.9	300.5	325.3	321.9	328.3	334.1	347.2	347.7
17 LESS: Personal contributions for social insurance	172.9	194.1	212.8	212.0	214.0	215.8	222.9	224.0
18 EQUALS: Personal income	3,766.4	4,070.8	4,384.3	4,362.9	4,402.8	4,469.2	4,562.8	4,626.2
19 LESS: Personal tax and nontax payments	571.6	591.6	658.8	665.5	659.5	669.6	675.1	694.4
20 EQUALS: Disposable personal income	3,194.7	3,479.2	3,725.5	3,697.3	3,743.4	3,799.6	3,887.7	3,931.9
21 LESS: Personal outlays	3,102.2	3,333.6	3,553.7	3,528.5	3,588.8	3,625.5	3,696.4	3,732.7
22 EQUALS: Personal saving	92.5	145.6	171.8	168.9	154.5	174.1	191.3	199.1
MEMO								
Per capita (1982 dollars)								
23 Gross national product	15,759.4	16,302.4	16,550.2	16,554.8	16,578.5	16,546.0	16,575.9	16,584.9
24 Personal consumption expenditures	10,310.7	10,578.3	10,678.5	10,649.4	10,739.9	10,688.2	10,692.1	10,674.5
25 Disposable personal income	10,946.0	11,368.0	11,531.0	11,492.0	11,538.0	11,541.0	11,586.0	11,581.0
26 Saving rate (percent)	2.9	4.2	4.6	4.6	4.1	4.6	4.9	5.1
GROSS SAVING								
27 **Gross saving**	**555.5**	**656.1**	**691.5**	**697.9**	**692.4**	**674.8**	**664.8**	**688.9**
28 Gross private saving	662.6	751.3	779.3	770.3	776.0	786.4	795.0	812.9
29 Personal saving	92.5	145.6	171.8	168.9	154.5	174.1	191.3	199.1
30 Undistributed corporate profits[1]	83.2	91.4	53.0	58.5	53.9	39.8	36.7	42.6
31 Corporate inventory valuation adjustment	−19.4	−27.0	−21.7	−23.1	−6.1	−14.5	−11.4	1.2
Capital consumption allowances								
32 Corporate	303.2	322.1	346.4	341.1	351.6	356.5	356.7	359.8
33 Noncorporate	183.8	192.2	208.0	201.8	215.9	216.0	210.3	211.4
34 Government surplus, or deficit (−), national income and product accounts	−107.1	−95.3	−87.8	−72.4	−83.6	−111.6	−130.2	−124.0
35 Federal	−158.2	−141.7	−134.3	−122.7	−131.7	−150.1	−168.3	−161.8
36 State and local	51.0	46.5	46.4	50.3	48.1	38.5	38.1	37.7
37 **Gross investment**	**544.9**	**627.8**	**674.4**	**677.6**	**676.1**	**671.8**	**665.6**	**689.4**
38 Gross private domestic	699.5	747.1	771.2	776.7	775.8	762.7	747.2	760.5
39 Net foreign	−154.6	−119.2	−96.8	−99.1	−99.7	−90.9	−81.6	−71.1
40 **Statistical discrepancy**	**−10.6**	**−28.2**	**−17.0**	**−20.3**	**−16.2**	**−3.0**	**0.7**	**0.6**

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

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1987	1988	1989	1989				1990
				Q1	Q2	Q3	Q4	Q1
1 Balance on current account	-162,315	-128,862	-110,035	-27,104	-28,649	-27,591	-26,692	-22,941
2 Not seasonally adjusted	....	....	....	-22,961	-27,528	-31,620	-27,926	-19,164
3 Merchandise trade balance[2]	-159,500	-126,986	-114,864	-28,093	-28,222	-29,803	-28,746	-26,371
4 Merchandise exports	250,266	320,337	360,465	88,267	91,111	89,349	91,738	96,044
5 Merchandise imports	-409,766	-447,323	-475,329	-116,360	-119,333	-119,152	-120,484	-122,415
6 Military transactions, net	-3,530	-5,452	-6,319	-1,763	-1,667	-1,114	-1,776	-1,370
7 Investment income, net	5,326	1,610	-913	465	-1,957	17	561	608
8 Other service transactions, net	9,964	16,971	26,783	5,842	6,203	6,839	7,900	7,681
9 Remittances, pensions, and other transfers	-4,299	-4,261	-3,758	-999	-962	-909	-889	-874
10 U.S. government grants	-10,276	-10,744	-10,963	-2,556	-2,044	-2,621	-3,742	-2,615
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	997	2,969	1,185	962	-303	574	-47	-486
12 Change in U.S. official reserve assets (increase, −)	9,149	-3,912	-25,293	-4,000	-12,095	-5,996	-3,202	-3,177
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-509	127	-535	-188	68	-211	-204	-247
15 Reserve position in International Monetary Fund	2,070	1,025	471	316	-159	337	-23	234
16 Foreign currencies	7,588	-5,064	-25,229	-4,128	-12,004	-6,122	-2,975	-3,164
17 Change in U.S. private assets abroad (increase, −)	-73,092	-83,232	-102,953	-29,821	11,017	-38,654	-45,496	33,172
18 Bank-reported claims[3]	-42,119	-56,322	-50,684	-23,586	26,829	-21,269	-32,658	45,655
19 Nonbank-reported claims	5,324	-2,847	1,391	1,851	-2,384	1,877	47	....
20 U.S. purchase of foreign securities, net	-5,251	-7,846	-21,938	-2,062	-6,144	-9,623	-4,109	-4,871
21 U.S. direct investments abroad, net	-31,046	-16,217	-31,722	-6,024	-7,284	-9,639	-8,776	-7,612
22 Change in foreign official assets in United States (increase, +)	45,210	39,515	8,823	7,797	-4,961	13,003	-7,016	-8,825
23 U.S. Treasury securities	43,238	41,741	333	4,630	-9,726	12,771	-7,342	-5,874
24 Other U.S. government obligations	1,564	1,309	1,383	721	-97	190	569	-531
25 Other U.S. government liabilities[4]	-2,503	-710	332	-200	470	-350	412	-368
26 Other U.S. liabilities reported by U.S. banks[3]	3,918	-319	4,940	2,191	3,820	-251	-820	-1,926
27 Other foreign official assets[5]	-1,007	-2,506	1,835	455	572	643	165	-126
28 Change in foreign private assets in United States (increase, +)	173,260	181,926	205,829	60,605	7,755	61,133	76,336	-18,665
29 U.S. bank-reported liabilities[3]	89,026	70,235	61,199	17,486	-20,806	27,845	36,674	-28,125
30 U.S. nonbank-reported liabilities	2,863	6,664	2,867	3,717	-407	-2,175	1,732	....
31 Foreign private purchases of U.S. Treasury securities, net	-7,643	20,239	29,951	9,323	2,339	12,618	5,671	-864
32 Foreign purchases of other U.S. securities, net	42,120	26,353	39,568	8,731	9,574	10,470	10,793	2,732
33 Foreign direct investments in United States, net	46,894	58,435	72,244	21,348	17,055	12,375	21,466	7,592
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	6,790	-8,404	22,443	-8,439	27,236	-2,469	6,117	20,922
36 Owing to seasonal adjustments	....	....	....	3,093	-1,697	-4,953	3,560	3,116
37 Statistical discrepancy in recorded data before seasonal adjustment	6,790	-8,404	22,443	-11,532	28,933	2,484	2,558	17,806
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	9,149	-3,912	-25,293	-4,000	-12,095	-5,996	-3,202	-3,177
39 Foreign official assets in United States (increase, +) excluding line 25	47,713	40,225	8,491	7,997	-5,431	13,353	-7,428	-8,457
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22 above)	-9,956	-2,996	10,713	7,100	460	4,532	-1,379	2,976

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

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

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data are seasonally adjusted.

Item	1987	1988	1989	1989 Dec.	1990 Jan.	Feb.	Mar.	Apr.	May[r]	June[p]
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	254,073	322,427	363,812	31,262	31,372	31,576	33,266	32,058	32,774	34,296
GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses										
2 Customs value	406,241	440,952	473,211	38,058	41,570	38,672	41,636	39,364	40,543	39,367
Trade balance										
3 **Customs value**	**−152,169**	**−118,526**	**−109,399**	**−6,796**	**−10,198**	**−7,096**	**−8,370**	**−7,306**	**−7,770**	**−5,071**

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

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

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1987	1988	1989	1990 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 *Total*	**45,798**	**47,802**	**74,609**	**75,506**	**74,173**	**76,303**	**76,283**	**77,028**	**77,298**	**77,906**
2 Gold stock, including Exchange Stabilization Fund[1]	11,078	11,057	11,059	11,059	11,059	11,060	11,060	11,065	11,065	11,064
3 Special drawing rights[2,3]	10,283	9,637	9,951	10,041	10,216	10,092	10,103	10,396	10,490	10,699
4 Reserve position in International Monetary Fund[2]	11,349	9,745	9,048	9,173	8,985	8,727	8,687	8,764	8,449	8,686
5 Foreign currencies[4]	13,088	17,363	44,551	45,233	43,913	46,424	46,433	46,803	47,294	47,457

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

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

Millions of dollars, end of period

Assets	1987	1988	1989	1990 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 Deposits	244	347	589	251	309	300	402	309	368	279
Assets held in custody										
2 U.S. Treasury securities[2]	195,126	232,547	224,911	225,618	221,798	250,447	252,759	253,691	255,651	256,585
3 Earmarked gold[3]	13,919	13,636	13,456	13,458	13,458	13,458	13,458	13,460	13,433	13,422

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies at face value.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1986	1987	1988	1989	1990					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	All foreign countries									
1 **Total, all currencies**	**456,628**	**518,618**	**505,595**	**545,366**	**549,368**	**553,815**	**535,059**	**535,886**	**541,439r**	**524,010**
2 Claims on United States	114,563	138,034	169,111	198,835	192,688	188,700	176,096r	177,104	182,224r	179,446
3 Parent bank	83,492	105,845	129,856	157,092	149,285	145,156	135,172r	133,573	140,751r	138,329
4 Other banks in United States	13,685	16,416	14,918	17,042	17,840	18,064	15,511	17,965	15,647	15,166
5 Nonbanks	17,386	15,773	24,337	24,701	25,563	25,480	25,413	25,566	25,826	25,951
6 Claims on foreigners	312,955	342,520	299,728	300,575	307,937	313,934	308,117	307,470	306,058r	293,542
7 Other branches of parent bank	96,281	122,155	107,179	113,810	120,359	122,457	120,488	118,835	116,640	108,524
8 Banks	105,237	108,859	96,932	90,703	91,712	94,065	89,837	90,812	90,422	85,983
9 Public borrowers	23,706	21,832	17,163	16,456	15,392	15,148	15,973	16,217	16,172	16,249
10 Nonbank foreigners	87,731	89,674	78,454	79,606	80,474	82,264	81,819	81,606	82,824r	82,786
11 Other assets	29,110	38,064	36,756	45,956	48,743	51,181	50,846r	51,312	53,157r	51,022
12 **Total payable in U.S. dollars**	**317,487**	**350,107**	**357,573**	**382,414**	**375,315**	**375,511**	**358,543**	**360,224**	**363,128r**	**350,255**
13 Claims on United States	110,620	132,023	163,456	191,184	184,782	180,738	168,833	169,996	173,887r	171,496
14 Parent bank	82,082	103,251	126,929	152,294	144,055	139,920	130,350	129,162	135,211r	133,112
15 Other banks in United States	12,830	14,657	14,167	16,386	17,018	17,187	14,992	17,209	14,818	14,575
16 Nonbanks	15,708	14,115	22,360	22,504	23,709	23,631	23,491	23,625	23,858	23,809
17 Claims on foreigners	195,063	202,428	177,685	169,690	167,722	172,132	167,616	168,419	167,630	158,652
18 Other branches of parent bank	72,197	88,284	80,736	82,949	86,114	87,403	85,028	84,930	83,381	76,415
19 Banks	66,421	63,707	54,884	48,396	45,385	46,582	43,408	43,814	44,449	43,121
20 Public borrowers	16,708	14,730	12,131	10,961	10,332	10,529	11,110	11,191	10,912	10,882
21 Nonbank foreigners	39,737	35,707	29,934	27,384	25,891	27,618	28,070	28,484	28,888	28,234
22 Other assets	11,804	15,656	16,432	21,540	22,811	22,641	22,094	21,809	21,611	20,107
	United Kingdom									
23 **Total, all currencies**	**140,917**	**158,695**	**156,835**	**161,947**	**166,915**	**169,727**	**167,162**	**173,127**	**177,947r**	**167,885**
24 Claims on United States	24,599	32,518	40,089	39,212	41,208	40,161	38,809	42,366	43,247r	40,147
25 Parent bank	19,085	27,350	34,243	35,847	37,292	36,311	34,648	37,572	39,089r	35,924
26 Other banks in United States	1,612	1,259	1,123	1,058	1,441	1,365	1,301	1,262	747	730
27 Nonbanks	3,902	3,909	4,723	2,307	2,475	2,485	2,860	3,532	3,411	3,493
28 Claims on foreigners	109,508	115,700	106,388	107,657	109,837	110,911	109,227	111,175	114,800r	107,837
29 Other branches of parent bank	33,422	39,903	35,625	37,728	37,701	38,410	39,636	41,613	43,358	38,068
30 Banks	39,468	36,735	36,765	36,159	37,668	36,488	34,803	35,224	35,730	34,194
31 Public borrowers	4,990	4,752	4,019	3,293	3,128	3,076	3,857	3,980	3,943	3,740
32 Nonbank foreigners	31,628	34,310	29,979	30,477	31,340	32,937	30,931	30,358	31,769r	31,835
33 Other assets	6,810	10,477	10,358	15,078	15,870	18,655	19,126	19,586	19,900r	19,901
34 **Total payable in U.S. dollars**	**95,028**	**100,574**	**103,503**	**103,427**	**103,038**	**103,752**	**101,024**	**107,483**	**110,186r**	**100,887**
35 Claims on United States	23,193	30,439	38,012	36,404	38,261	37,006	35,752	39,091	39,374r	36,158
36 Parent bank	18,526	26,304	33,252	34,329	35,731	34,462	32,697	35,663	36,712r	33,509
37 Other banks in United States	1,475	1,044	964	843	1,118	1,036	1,122	1,041	521	552
38 Nonbanks	3,192	3,091	3,796	1,232	1,412	1,508	1,933	2,387	2,141	2,097
39 Claims on foreigners	68,138	64,560	60,472	59,062	56,939	58,763	57,166	60,165	63,025	57,802
40 Other branches of parent bank	26,361	28,635	28,474	29,872	28,655	30,224	30,421	32,885	34,441	30,050
41 Banks	23,251	19,188	18,494	16,579	16,399	15,984	13,748	14,141	14,635	14,625
42 Public borrowers	3,677	3,313	2,840	2,371	2,321	2,266	3,074	3,131	3,114	2,942
43 Nonbank foreigners	14,849	13,424	10,664	10,240	9,564	10,289	9,923	10,008	10,835	10,185
44 Other assets	3,697	5,575	5,019	7,961	7,838	7,983	8,106	8,227	7,787	6,927
	Bahamas and Caymans									
45 **Total, all currencies**	**142,592**	**160,321**	**170,639**	**176,006**	**167,385**	**164,908**	**155,145**	**150,767**	**154,851**	**154,354**
46 Claims on United States	78,048	85,318	105,320	124,205	117,177	114,263	105,466	102,184	105,617	107,244
47 Parent bank	54,575	60,048	73,409	87,882	79,525	76,475	70,535	65,084	69,807	72,115
48 Other banks in United States	11,156	14,277	13,145	15,071	15,403	15,827	13,564	15,902	14,079	13,603
49 Nonbanks	12,317	10,993	18,766	21,252	22,249	21,961	21,367	21,198	21,731	21,526
50 Claims on foreigners	60,005	70,162	58,393	44,168	42,610	43,162	42,393	41,467	42,147	39,812
51 Other branches of parent bank	17,296	21,277	17,954	11,309	13,371	14,409	13,171	13,306	12,917	11,906
52 Banks	27,476	33,751	28,268	22,611	20,119	19,595	19,370	18,499	19,947	18,492
53 Public borrowers	7,051	7,428	5,830	5,217	4,764	4,753	4,684	4,490	4,350	4,393
54 Nonbank foreigners	8,182	7,706	6,341	5,031	4,356	4,405	5,168	5,172	4,933	5,021
55 Other assets	4,539	4,841	6,926	7,633	7,598	7,483	7,286	7,116	7,087	7,298
56 **Total payable in U.S. dollars**	**136,813**	**151,434**	**163,518**	**170,780**	**160,832**	**159,484**	**150,061**	**145,994**	**149,467**	**149,943**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14—Continued

Liability account	1986	1987	1988	1989	1990					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	All foreign countries									
57 **Total, all currencies**	**456,628**	**518,618**	**505,595**	**545,366**	**549,368**	**553,815**	**535,059**	**535,886**	**541,439r**	**524,010**
58 Negotiable CDs	31,629	30,929	28,511	23,500	23,510	23,620	21,767	24,113	25,452r	23,504
59 To United States	152,465	161,390	185,577	197,239	178,452	181,164	173,675r	168,669	169,791	169,762
60 Parent bank	83,394	87,606	114,720	138,803	117,318	119,967	114,170r	109,642	109,831	113,144
61 Other banks in United States	15,646	20,355	14,737	11,704	11,850	11,990	10,799	11,782	10,272r	9,092
62 Nonbanks	53,425	53,429	56,120	46,732	49,284	49,207	48,706	47,245	49,688r	47,526
63 To foreigners	253,775	304,803	270,923	296,850	315,991	317,318	309,756	313,446	315,058r	299,999
64 Other branches of parent bank	95,146	124,601	111,267	119,591	126,965	126,786	124,084	120,405	120,722	113,758
65 Banks	77,809	87,274	72,842	76,452	82,042	77,449	75,017	77,875	78,681	73,201
66 Official institutions	17,835	19,564	15,183	16,750	19,004	20,637	17,704	20,683	19,710r	19,115
67 Nonbank foreigners	62,985	73,364	71,631	84,057	87,980	92,446	92,951	94,483	95,945r	93,925
68 Other liabilities	18,759	21,496	20,584	27,777	31,415	31,713	29,861r	29,658	31,138r	30,745
69 **Total payable in U.S. dollars**	**336,406**	**361,438**	**367,483**	**396,282**	**385,010**	**385,634**	**369,306**	**368,626**	**369,505r**	**358,681**
70 Negotiable CDs	28,466	26,768	24,045	19,619	18,512	18,783	17,084	19,601	20,579r	18,928
71 To United States	144,483	148,442	173,190	187,286	167,754	169,669	162,606	157,579	157,851	158,166
72 Parent bank	79,305	81,783	107,150	132,954	111,328	113,487	108,128	103,252	103,389	106,811
73 Other banks in United States	14,609	18,951	13,468	10,519	10,560	10,684	9,296	10,415	8,855r	7,741
74 Nonbanks	50,569	47,708	52,572	43,813	45,866	45,498	45,182	43,912	45,607r	43,614
75 To foreigners	156,806	177,711	160,766	176,460	185,192	183,378	176,939	178,035	177,888	168,686
76 Other branches of parent bank	71,181	90,469	84,021	87,636	91,736	90,360	86,908	84,090	84,415	80,022
77 Banks	33,850	35,065	28,493	30,537	32,551	28,741	27,639	29,207	28,265	26,577
78 Official institutions	12,371	12,409	8,224	9,873	11,063	11,740	9,248	11,909	11,480	9,092
79 Nonbank foreigners	39,404	39,768	40,028	48,414	49,842	52,537	53,144	52,829	53,728	52,995
80 Other liabilities	6,651	8,517	9,482	12,917	13,552	13,804	12,677	13,411	13,187r	12,901
	United Kingdom									
81 **Total, all currencies**	**140,917**	**158,695**	**156,835**	**161,947**	**166,915**	**169,727**	**167,162**	**173,127**	**177,947r**	**167,885**
82 Negotiable CDs	27,781	26,988	24,528	20,056	19,791	19,656	18,266	20,535	21,846r	19,672
83 To United States	24,657	23,470	36,784	36,036	31,893	32,686	32,780	33,931	33,755	32,284
84 Parent bank	14,469	13,223	27,849	29,726	23,256	23,752	22,970	23,339	23,179	23,151
85 Other banks in United States	2,649	1,536	2,037	1,256	1,545	2,115	1,827	1,841	1,847	1,615
86 Nonbanks	7,539	8,711	6,898	5,054	7,092	6,819	7,983	8,751	8,729	7,518
87 To foreigners	79,498	98,689	86,026	92,307	99,720	101,565	101,160	103,362	106,138r	99,327
88 Other branches of parent bank	25,036	33,078	26,812	27,397	29,216	28,074	29,848	28,581	29,193	26,611
89 Banks	30,877	34,290	30,609	29,780	33,568	32,110	29,116	31,026	31,580	27,868
90 Official institutions	6,836	11,015	7,873	8,551	9,368	10,758	9,184	10,829	11,409r	11,815
91 Nonbank foreigners	16,749	20,306	20,732	26,579	27,568	30,623	33,012	32,926	33,956r	33,033
92 Other liabilities	8,981	9,548	9,497	13,548	15,511	15,820	14,956	15,299	16,208r	16,602
93 **Total payable in U.S. dollars**	**99,707**	**102,550**	**105,907**	**108,178**	**106,676**	**106,416**	**103,544**	**109,708**	**110,595r**	**101,530**
94 Negotiable CDs	26,169	24,926	22,063	18,143	16,931	16,910	15,660	17,936	19,012r	17,233
95 To United States	22,075	17,752	32,588	33,056	28,542	28,817	29,383	30,386	29,666	28,153
96 Parent bank	14,021	12,026	26,404	28,812	22,428	22,513	22,219	22,446	22,339	22,183
97 Other banks in United States	2,325	1,308	1,752	1,065	1,217	1,807	1,552	1,553	1,456	1,325
98 Nonbanks	5,729	4,418	4,432	3,179	4,897	4,497	5,612	6,387	5,871	4,645
99 To foreigners	48,138	55,919	47,083	50,517	54,574	53,751	52,095	54,371	55,163	49,716
100 Other branches of parent bank	17,951	22,334	18,561	18,384	19,660	18,556	19,182	18,799	18,589	17,575
101 Banks	15,203	15,580	13,407	12,244	14,701	11,920	9,976	11,233	11,007	9,042
102 Official institutions	4,934	7,530	4,348	5,454	5,649	6,717	5,192	6,703	7,264	5,405
103 Nonbank foreigners	10,050	10,475	10,767	14,435	14,564	16,558	17,745	17,636	18,303	17,694
104 Other liabilities	3,325	3,953	4,173	6,462	6,629	6,938	6,406	7,015	6,754r	6,428
	Bahamas and Caymans									
105 **Total, all currencies**	**142,592**	**160,321**	**170,639**	**176,006**	**167,385**	**164,908**	**155,145**	**150,767**	**154,851**	**154,354**
106 Negotiable CDs	847	885	953	678	681	671	522	524	528	535
107 To United States	106,081	113,950	122,332	124,859	114,829	113,137	108,003	101,024	103,655	103,592
108 Parent bank	49,481	53,239	62,894	75,579	65,380	64,085	61,528	55,311	57,136	58,880
109 Other banks in United States	11,715	17,224	11,494	8,883	8,677	8,198	7,310	8,544	6,991r	5,984
110 Nonbanks	44,885	43,487	47,944	40,397	40,772	40,854	39,165	37,169	39,528r	38,728
111 To foreigners	34,400	43,815	45,161	47,382	48,974	48,726	44,314	46,741	48,410	47,613
112 Other branches of parent bank	12,631	19,185	23,686	23,414	24,911	25,110	20,778	22,446	25,535	24,184
113 Banks	8,617	10,769	8,336	8,823	8,439	8,059	7,983	8,617	8,154	8,969
114 Official institutions	2,719	1,504	1,074	1,097	1,528	1,290	1,078	1,247	962	960
115 Nonbank foreigners	10,433	12,357	12,065	14,048	14,096	14,267	14,475	14,431	13,759	13,500
116 Other liabilities	1,264	1,671	2,193	3,087	2,901	2,374	2,306	2,478	2,258	2,614
117 **Total payable in U.S. dollars**	**138,774**	**152,927**	**162,950**	**171,250**	**162,141**	**160,212**	**150,758**	**146,259**	**149,707**	**149,680**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1988	1989	1989	1990					
			Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June[p]
1 **Total**[1]	**259,556**	**299,782**	**308,303**	**305,433**	**300,030**	**297,493**	**303,790**	**303,730**	**305,622**
By type									
2 Liabilities reported by banks in the United States[2]	31,838	31,519	36,486	34,303	33,633	35,208	36,372	36,313	37,160
3 U.S. Treasury bills and certificates[3]	88,829	103,722	76,985	76,157	73,099	73,039	69,454	72,322	71,804
U.S. Treasury bonds and notes									
4 Marketable	122,432	149,056	176,084	176,411	174,986	171,130	176,694	173,837	175,385
5 Nonmarketable[4]	300	523	568	572	576	580	3,596	3,620	3,644
6 U.S. securities other than U.S. Treasury securities[5]	16,157	14,962	18,180	17,990	17,736	17,536	17,674	17,638	17,629
By area									
7 Western Europe[1]	124,620	125,097	134,907	135,688	134,050	136,807	139,796	140,438	145,800
8 Canada	4,961	9,584	9,553	9,368	7,976	8,386	7,880	6,621	7,036
9 Latin America and Caribbean	8,328	10,099	8,809	7,943	8,327	9,229	9,137	9,217	10,279
10 Asia	116,098	145,608	147,064	143,966	140,924	134,700	136,519	135,108	129,910
11 Africa	1,402	1,369	995	817	990	902	861	1,040	904
12 Other countries[6]	4,147	7,501	6,406	7,077	7,187	6,889	6,000	7,685	8,050

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1986	1987	1988	1989			1990
				June	Sept.	Dec.	Mar.
1 Banks' own liabilities	29,702	55,438	74,980	69,213	73,755	67,805	63,105
2 Banks' own claims	26,180	51,271	68,983	62,234	70,328	65,127	60,999
3 Deposits	14,129	18,861	25,100	23,866	22,960	20,489	21,456
4 Other claims	12,052	32,410	43,884	38,368	47,368	44,638	39,543
5 Claims of banks' domestic customers[2]	2,507	551	364	723	2,558	3,102	1,190

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1987	1988	1989	1989	1990					
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June[p]
1 **All foreigners**	**618,874**	**685,339**	**736,112**	**736,112**	**705,383**	**696,813**	**704,185**	**702,299**	**714,763**	**705,018**
2 Banks' own liabilities	470,070	514,532	576,732	576,732	544,172	538,567	541,694	546,652	551,777	541,816
3 Demand deposits	22,383	21,863	22,090	22,090	19,982	20,894	20,518	21,143	20,908	20,422
4 Time deposits[2]	148,374	152,164	168,744	168,744	159,144	156,304	154,725	148,779	150,883	151,217
5 Other[3]	51,677	51,366	67,569	67,569	62,807	58,484	60,433	66,017	65,207	65,025
6 Own foreign offices[4]	247,635	289,138	318,330	318,330	302,238	302,884	306,017	310,713	314,779	305,152
7 Banks' custody liabilities[5]	148,804	170,807	159,380	159,380	161,211	158,246	162,492	155,647	162,986	163,203
8 U.S. Treasury bills and certificates[6]	101,743	115,056	91,100	91,100	90,703	88,032	88,015	83,644	88,907	90,064
9 Other negotiable and readily transferable instruments[7]	16,776	16,426	19,526	19,526	18,658	18,655	21,031	18,055	18,342	17,819
10 Other	30,285	39,325	48,754	48,754	51,851	51,560	53,446	53,948	55,737	55,320
11 **Nonmonetary international and regional organizations[8]**	**4,464**	**3,224**	**4,772**	**4,772**	**4,671**	**3,765**	**4,896**	**5,727**	**4,558**	**4,997**
12 Banks' own liabilities	2,702	2,527	3,156	3,156	3,071	2,218	3,334	3,781	2,913	3,598
13 Demand deposits	124	71	96	96	36	55	156	52	28	29
14 Time deposits[2]	1,538	1,183	927	927	1,042	624	1,137	2,025	773	1,416
15 Other[3]	1,040	1,272	2,133	2,133	1,993	1,539	2,041	1,704	2,112	2,154
16 Banks' custody liabilities[5]	1,761	698	1,616	1,616	1,599	1,547	1,562	1,947	1,645	1,399
17 U.S. Treasury bills and certificates[6]	265	57	197	197	102	160	191	190	174	147
18 Other negotiable and readily transferable instruments[7]	1,497	641	1,417	1,417	1,497	1,387	1,371	1,740	1,463	1,253
19 Other	0	0	2	2	0	0	0	17	8	0
20 **Official institutions[9]**	**120,667**	**135,241**	**113,471**	**113,471**	**110,459**	**106,732**	**108,247**	**105,826**	**108,635**	**108,964**
21 Banks' own liabilities	28,703	27,109	31,098	31,098	30,755	30,443	31,366	33,594	32,961	33,068
22 Demand deposits	1,757	1,917	2,196	2,196	1,601	1,654	1,826	2,066	1,644	1,613
23 Time deposits[2]	12,843	9,767	10,550	10,550	9,769	10,658	9,704	10,889	11,088	10,130
24 Other[3]	14,103	15,425	18,351	18,351	19,385	18,132	19,836	20,639	20,228	21,324
25 Banks' custody liabilities[5]	91,965	108,132	82,373	82,373	79,704	76,289	76,881	72,231	75,674	75,896
26 U.S. Treasury bills and certificates[6]	88,829	103,722	76,985	76,985	76,157	73,099	73,039	69,454	72,322	71,804
27 Other negotiable and readily transferable instruments[7]	2,990	4,130	5,028	5,028	3,459	2,892	3,671	2,605	3,158	3,650
28 Other	146	280	361	361	88	298	171	173	195	443
29 **Banks[10]**	**414,280**	**459,523**	**514,251**	**514,251**	**491,782**	**484,881**	**490,793**	**492,534**	**502,559**	**494,422**
30 Banks' own liabilities	371,665	409,501	453,737	453,737	427,414	421,392	422,578	425,874	431,861	422,331
31 Unaffiliated foreign banks	124,030	120,362	135,407	135,407	125,175	118,508	116,561	115,161	117,082	117,179
32 Demand deposits	10,898	9,948	10,339	10,339	9,523	10,072	9,625	9,864	9,673	9,516
33 Time deposits[2]	79,717	80,189	90,557	90,557	79,518	74,873	75,296	68,692	71,048	72,749
34 Other[3]	33,415	30,226	34,511	34,511	36,133	33,563	31,640	36,605	36,361	34,914
35 Own foreign offices[4]	247,635	289,138	318,330	318,330	302,238	302,884	306,017	310,713	314,779	305,152
36 Banks' custody liabilities[5]	42,615	50,022	60,514	60,514	64,369	63,489	68,215	66,660	70,698	72,091
37 U.S. Treasury bills and certificates[6]	9,134	7,602	9,367	9,367	9,614	9,342	9,359	9,374	11,578	13,501
38 Other negotiable and readily transferable instruments[7]	5,392	5,725	5,124	5,124	5,090	4,918	7,611	5,437	5,615	5,757
39 Other	28,089	36,694	46,023	46,023	49,665	49,229	51,244	51,850	53,504	52,834
40 **Other foreigners**	**79,463**	**87,351**	**103,618**	**103,618**	**98,471**	**101,434**	**100,248**	**98,212**	**99,011**	**96,635**
41 Banks' own liabilities	67,000	75,396	88,742	88,742	82,932	84,513	84,415	83,404	84,042	82,819
42 Demand deposits	9,604	9,928	9,458	9,458	8,821	9,114	8,911	9,160	9,562	9,264
43 Time deposits[2]	54,277	61,025	66,711	66,711	68,815	70,148	68,588	67,174	67,974	66,922
44 Other[3]	3,119	4,443	12,573	12,573	5,295	5,251	6,915	7,069	6,506	6,633
45 Banks' custody liabilities[5]	12,463	11,956	14,877	14,877	15,539	16,921	15,834	14,809	14,969	13,816
46 U.S. Treasury bills and certificates[6]	3,515	3,675	4,551	4,551	4,830	5,431	5,425	4,627	4,834	4,613
47 Other negotiable and readily transferable instruments[7]	6,898	5,929	7,958	7,958	8,612	9,457	8,378	8,273	8,106	7,159
48 Other	2,050	2,351	2,368	2,368	2,098	2,033	2,031	1,909	2,030	2,044
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	7,314	6,425	7,203	7,203	8,576	8,457	7,634	7,183	7,161	6,429

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks. Data exclude "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17—Continued

	Area and country	1987	1988	1989	1989 Dec.	1990 Jan.	Feb.	Mar.	Apr.	May	June[p]
1	**Total**	**618,874**	**685,339**	**736,112**	**736,112**	**705,383**	**696,813**	**704,185**	**702,299[r]**	**714,763[r]**	**705,018**
2	**Foreign countries**	**614,411**	**682,115**	**731,340**	**731,340**	**700,713**	**693,048**	**699,289**	**696,572[r]**	**710,205[r]**	**700,021**
3	Europe	234,641	231,912	237,453	237,453	231,067	224,715	224,907	229,675[r]	236,336[r]	232,633
4	Austria	920	1,155	1,233	1,233	1,422	1,817	1,764	1,549[r]	1,373	1,531
5	Belgium-Luxembourg	9,347	10,022	10,611	10,611	11,357	11,400	11,978	10,128[r]	9,507[r]	9,277
6	Denmark	760	2,200	1,415	1,415	1,240	1,244	1,760	2,271	2,152	2,411
7	Finland	377	285	570	570	684	614	431	464	314	387
8	France	29,835	24,777	26,903	26,903	22,992	21,850	21,921	24,263	23,103[r]	23,078
9	Germany	7,022	6,772	7,578	7,578	7,584	8,718	7,488	8,763[r]	8,029[r]	8,067
10	Greece	689	672	1,017	1,017	1,092	1,024	906	879	860	833
11	Italy	12,073	14,599	16,169	16,169	13,051	11,977	12,728	14,138	16,347	16,791
12	Netherlands	5,014	5,316	6,613	6,613	7,733	8,226	9,454	7,731	8,166[r]	7,624
13	Norway	1,362	1,559	2,401	2,401	1,256	997	2,619	1,454[r]	1,582[r]	2,443
14	Portugal	801	903	2,407	2,407	2,381	2,285	2,385	2,354	2,359	3,082
15	Spain	2,621	5,494	4,364	4,364	5,424	4,280	4,911	4,230[r]	4,535	4,427
16	Sweden	1,379	1,284	1,491	1,491	2,303	1,468	1,574	1,889	1,837	1,769
17	Switzerland	33,766	34,199	34,496	34,496	33,283	33,036	33,964	33,244[r]	35,278[r]	35,281
18	Turkey	703	1,012	1,818	1,818	1,048	886	1,039	1,432	1,641[r]	1,596
19	United Kingdom	116,852	111,811	102,362	102,362	102,282	99,749	96,718	99,376[r]	104,643[r]	98,274
20	Yugoslavia	710	529	1,474	1,474	1,349	1,402	1,613	1,599	1,934	2,169
21	Other Western Europe[1]	9,798	8,598	13,563	13,563	13,220	12,088	10,214	12,039[r]	10,989[r]	11,829
22	U.S.S.R.	32	138	350	350	229	376	141	446	158	105
23	Other Eastern Europe[2]	582	591	619	619	1,138	1,277	1,299	1,427[r]	1,530[r]	1,662
24	Canada	30,095	21,062	18,864	18,864	19,246	21,329	18,536	19,483[r]	19,853[r]	19,939
25	Latin America and Caribbean	220,372	271,146	310,514	310,514	300,601	305,620	314,575	308,616[r]	315,235[r]	312,261
26	Argentina	5,006	7,804	7,304	7,304	7,380	7,496	8,036	8,235[r]	8,343	8,003
27	Bahamas	74,767	86,863	98,932	98,932	95,513	94,627	98,003	89,895[r]	98,226[r]	99,119
28	Bermuda	2,344	2,621	2,884	2,884	2,539	2,239	2,308	2,807[r]	2,514[r]	3,111
29	Brazil	4,005	5,314	6,334	6,334	6,679	7,128	7,280	6,729[r]	6,087	6,095
30	British West Indies	81,494	113,840	138,263	138,263	131,959	135,940	141,075	143,264[r]	142,135[r]	136,650
31	Chile	2,210	2,936	3,212	3,212	3,052	3,134	3,261	3,418[r]	3,517	3,470
32	Colombia	4,204	4,374	4,653	4,653	4,435	4,610	4,510	4,404	4,471	4,507
33	Cuba	12	10	10	10	31	10	9	9	10	11
34	Ecuador	1,082	1,379	1,391	1,391	1,232	1,325	1,337	1,334[r]	1,367	1,372
35	Guatemala	1,082	1,195	1,312	1,312	1,338	1,362	1,403	1,451	1,473	1,473
36	Jamaica	160	269	209	209	204	217	245	224	215	224
37	Mexico	14,480	15,185	15,399	15,399	14,773	15,802	15,246	15,066	15,097	16,141
38	Netherlands Antilles	4,975	6,420	6,310	6,310	6,192	6,470	6,412	6,460	6,806	6,649
39	Panama	7,414	4,353	4,361	4,361	4,543	4,743	4,766	4,749	4,539	4,520
40	Peru	1,275	1,671	1,984	1,984	1,927	1,975	1,836	1,703	1,533	1,474
41	Uruguay	1,582	1,898	2,284	2,284	2,419	2,397	2,513	2,575	2,560	2,520
42	Venezuela	9,048	9,147	9,468	9,468	9,832	9,615	9,871	9,636[r]	9,717	10,240
43	Other	5,234	5,868	6,205	6,205	6,554	6,530	6,464	6,657[r]	6,625[r]	6,682
44	Asia	121,288	147,838	156,128	156,128	141,600	132,085	132,744	130,903[r]	129,001[r]	125,828
	China										
45	Mainland	1,162	1,895	1,772	1,772	1,681	1,470	1,573	1,840	1,781[r]	1,868
46	Taiwan	21,503	26,058	19,565	19,565	19,151	17,901	15,552	15,413[r]	15,153	10,948
47	Hong Kong	10,180	12,248	12,395	12,395	11,824	11,115	11,569	12,231[r]	12,857[r]	12,302
48	India	582	699	780	780	907	762	1,033	1,013	1,148	966
49	Indonesia	1,404	1,180	1,281	1,281	1,061	1,174	1,545	1,560	1,192	1,522
50	Israel	1,292	1,461	1,243	1,243	1,039	894	1,497	1,310	1,226[r]	1,201
51	Japan	54,322	74,015	81,183	81,183	70,223	65,127	66,078	65,549[r]	62,063[r]	62,317
52	Korea	1,637	2,541	3,214	3,214	2,617	2,562	2,320	2,109	2,011[r]	2,063
53	Philippines	1,085	1,163	1,764	1,764	1,150	1,263	1,198	1,191[r]	1,187[r]	1,332
54	Thailand	1,345	1,236	2,093	2,093	2,381	2,524	1,930	1,595	1,973	2,125
55	Middle-East oil-exporting countries[3]	13,988	12,083	13,369	13,369	13,262	12,558	12,450	11,626[r]	13,048	12,955
56	Other	12,788	13,260	17,468	17,468	16,305	14,735	15,999	15,466[r]	15,362[r]	16,229
57	Africa	3,945	3,991	3,823	3,823	3,627	3,778	3,644	3,722	3,778[r]	3,660
58	Egypt	1,151	911	686	686	640	722	601	595[r]	646	593
59	Morocco	194	68	78	78	86	95	80	111	86	81
60	South Africa	202	437	205	205	257	261	277	236	241	318
61	Zaire	67	85	86	86	82	77	74	70	66	42
62	Oil-exporting countries[4]	1,014	1,017	1,120	1,120	993	1,110	1,048	936	1,016	888
63	Other	1,316	1,474	1,648	1,648	1,570	1,513	1,563	1,775	1,722	1,739
64	Other countries	4,070	6,165	4,559	4,559	4,571	5,521	4,883	4,173	6,002	5,699
65	Australia	3,327	5,293	3,867	3,867	3,891	4,798	3,994	3,469	5,250	5,052
66	All other	744	872	692	692	680	723	889	703	751	647
67	Nonmonetary international and regional organizations	4,464	3,224	4,772	4,772	4,671	3,765	4,896	5,727[r]	4,558	4,997
68	International[5]	2,830	2,503	3,825	3,825	3,599	2,765	3,634	4,147	3,393	3,862
69	Latin American regional	1,272	589	684	684	857	655	949	1,123	912	920
70	Other regional[6]	362	133	263	263	214	345	313	457[r]	253	215

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.
2. Comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Excludes "holdings of dollars" of the International Monetary Fund.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1987	1988	1989	1989	1990					
				Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[p]
1 **Total**	**459,877**	**491,165**	**533,763**	**533,763**	**511,739**	**499,176**	**489,951**	**490,778[r]**	**490,721**	**491,392**
2 **Foreign countries**	**456,472**	**489,094**	**530,324**	**530,324**	**507,246**	**495,102**	**486,158**	**486,385[r]**	**486,135**	**487,447**
3 Europe	102,348	116,928	118,885	118,885	105,603	104,162	104,191	104,989	103,415	102,616
4 Austria	793	483	415	415	658	429	500	592	431	537
5 Belgium-Luxembourg	9,397	8,515	6,478	6,478	6,668	7,063	6,358	6,330	6,754	5,410
6 Denmark	717	483	582	582	664	635	608	750	1,004	590
7 Finland	1,010	1,065	1,027	1,027	1,224	1,218	1,153	1,025	931	1,035
8 France	13,548	13,243	16,146	16,146	15,839	16,392	15,631	16,087	16,224	14,794
9 Germany	2,039	2,329	2,865	2,865	1,990	2,762	2,783	2,476	3,045	2,934
10 Greece	462	433	788	788	735	773	664	622	597	514
11 Italy	7,460	7,936	6,662	6,662	4,934	5,377	5,010	4,230	4,758	5,126
12 Netherlands	2,619	2,541	1,904	1,904	1,659	1,567	2,182	2,027	1,968	2,041
13 Norway	934	455	609	609	600	672	777	918	741	725
14 Portugal	477	261	376	376	309	288	273	381	407	540
15 Spain	1,853	1,823	1,930	1,930	2,790	2,040	2,240	1,726	1,887	2,074
16 Sweden	2,254	1,977	1,773	1,773	2,718	2,158	2,236	2,206	2,711	2,609
17 Switzerland	2,718	3,895	6,141	6,141	4,835	4,922	5,056	4,826	4,999	5,250
18 Turkey	1,680	1,233	1,071	1,071	1,087	1,088	1,123	1,120	1,138	1,230
19 United Kingdom	50,823	65,706	65,388	65,388	54,462	52,121	52,993	55,439	52,163	53,806
20 Yugoslavia	1,700	1,390	1,329	1,329	1,243	1,158	1,157	1,121	1,128	1,095
21 Other Western Europe[2]	619	1,152	1,302	1,302	1,133	1,271	1,183	970	786	804
22 U.S.S.R.	389	1,255	1,179	1,179	1,192	1,322	1,356	1,322	945	760
23 Other Eastern Europe[3]	852	754	921	921	864	905	907	820	800	743
24 Canada	25,368	18,889	15,427	15,427	16,694	16,768	15,082	15,199	16,320	16,482
25 Latin America and Caribbean	214,789	214,264	230,353	230,353	224,116	220,258	212,902	202,614[r]	207,913	210,666
26 Argentina	11,996	11,826	9,270	9,270	12,117	8,718	8,189	8,025	7,689	7,599
27 Bahamas	64,587	66,954	77,921	77,921	70,102	71,891	69,095	63,927	70,296	66,536
28 Bermuda	471	483	1,315	1,315	485	401	425	443	774	1,830
29 Brazil	25,897	25,735	23,749	23,749	23,503	23,210	21,884	21,848[r]	21,844	20,741
30 British West Indies	50,042	55,888	68,664	68,664	70,889	70,048	72,329	67,610[r]	67,378	74,353
31 Chile	6,308	5,217	4,353	4,353	4,212	4,208	4,079	3,714	3,624	3,457
32 Colombia	2,740	2,944	2,784	2,784	2,530	2,610	2,720	2,649	2,624	2,598
33 Cuba	1	1	1	1	0	0	0	0	0	0
34 Ecuador	2,286	2,075	1,688	1,688	1,588	1,570	1,536	1,527	1,503	1,523
35 Guatemala[4]	144	198	197	197	213	200	208	207	206	188
36 Jamaica[4]	188	212	297	297	284	274	265	260	260	258
37 Mexico	29,532	24,637	23,381	23,381	22,027	21,400	16,798	17,080[r]	16,866	17,013
38 Netherlands Antilles	980	1,306	1,921	1,921	1,764	1,702	1,692	1,759	1,630	1,727
39 Panama	4,744	2,521	1,740	1,740	1,748	1,688	1,732	1,743	1,653	1,594
40 Peru	1,329	1,013	771	771	750	752	733	721	679	683
41 Uruguay	963	910	928	928	932	935	926	886	876	842
42 Venezuela	10,843	10,733	9,647	9,647	9,289	8,956	8,528	8,423	8,272	8,137
43 Other Latin America and Caribbean	1,738	1,612	1,726	1,726	1,682	1,695	1,764	1,790[r]	1,737	1,587
44 Asia	106,096	130,881	157,416	157,416	152,452	145,033	145,675	155,435[r]	150,045	149,308
China										
Mainland	968	762	634	634	620	619	599	674	517	519
46 Taiwan	4,592	4,184	2,776	2,776	2,157	1,824	2,016	1,890	1,941	1,946
47 Hong Kong	8,218	10,143	11,128	11,128	7,696	6,605	7,418	8,965	9,553	9,238
48 India	510	560	621	621	625	892	721	588	579	840
49 Indonesia	580	674	651	651	641	611	604	560	599	802
50 Israel	1,363	1,136	813	813	749	752	737	721	709	744
51 Japan	68,658	90,149	111,270	111,270	113,387	108,352	108,527	117,487	108,203	107,607
52 Korea	5,148	5,213	5,296	5,296	5,156	4,880	5,016	4,991[r]	5,141	5,052
53 Philippines	2,071	1,876	1,344	1,344	1,297	1,163	1,204	1,221	1,351	1,357
54 Thailand	496	848	1,140	1,140	1,172	1,052	992	1,070	1,202	1,279
55 Middle East oil-exporting countries[5]	4,858	6,213	10,149	10,149	8,663	9,250	8,774	8,376	9,577	10,815
56 Other Asia	8,635	9,122	11,594	11,594	10,290	9,035	9,066	8,894	10,674	9,108
57 Africa	4,742	5,718	5,890	5,890	5,935	5,967	5,984	5,953	5,908	5,785
58 Egypt	521	507	502	502	470	493	474	491	488	469
59 Morocco	542	511	559	559	575	588	581	596	582	579
60 South Africa	1,507	1,681	1,628	1,628	1,619	1,629	1,648	1,632	1,639	1,568
61 Zaire	15	17	16	16	16	17	25	19	20	21
62 Oil-exporting countries[6]	1,003	1,523	1,648	1,648	1,667	1,749	1,749	1,705	1,665	1,638
63 Other	1,153	1,479	1,537	1,537	1,588	1,491	1,507	1,509	1,515	1,509
64 Other countries	3,129	2,413	2,354	2,354	2,446	2,914	2,324	2,195	2,535	2,590
65 Australia	2,100	1,520	1,781	1,781	1,815	2,015	1,632	1,551	1,657	1,712
66 All other	1,029	894	573	573	631	900	692	644	878	878
67 Nonmonetary international and regional organizations[7]	3,404	2,071	3,439	3,439	4,493	4,074	3,794	4,393[r]	4,585	3,945

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
3. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
4. Included in "Other Latin America and Caribbean" through March 1978.
5. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
6. Comprises Algeria, Gabon, Libya, and Nigeria.
7. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1987	1988	1989	1989	1990					
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June[p]
1 **Total**	**497,635**	**538,689**	**590,251**	**590,251**	....	....	**543,114[r]**	....	....	....
2 Banks' own claims on foreigners	459,877	491,165	533,763	533,763	511,739	499,176	489,951	490,778	490,721	491,392
3 Foreign public borrowers	64,605	62,658	59,877	59,877	58,969	56,909	53,920	53,497	52,998	51,150
4 Own foreign offices[2]	224,727	257,436	295,948	295,948	289,826	283,970	274,861	274,326	274,876	279,349
5 Unaffiliated foreign banks	127,609	129,425	134,848	134,848	123,647	120,114	123,003	125,138	125,595	122,330
6 Deposits	60,687	65,898	78,005	78,005	69,522	67,121	69,977	71,770	71,951	69,124
7 Other	66,922	63,527	56,843	56,843	54,125	52,993	53,027	53,368	53,645	53,206
8 All other foreigners	42,936	41,646	43,090	43,090	39,297	38,184	38,167	37,817	37,252	38,562
9 Claims of banks' domestic customers[3]	37,758	47,524	56,488	56,488	....	....	53,163[r]	....	....	....
10 Deposits	3,692	8,289	12,834	12,834	....	....	16,788	....	....	....
11 Negotiable and readily transferable instruments[4]	26,696	25,700	29,063	29,063	....	....	22,020[r]	....	....	....
12 Outstanding collections and other claims	7,370	13,535	14,591	14,591	....	....	14,354	....	....	....
13 MEMO: Customer liability on acceptances	23,107	19,596	12,753	12,753	....	....	13,563	....	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	40,909	45,502	45,309	45,309	43,932	45,263	41,809[r]	38,888	41,237	n.a.

1. Data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
3. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
4. Principally negotiable time certificates of deposit and bankers acceptances.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 *Bulletin*, p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1986	1987	1988	1989			1990
				June	Sept.	Dec.	Mar.
1 **Total**	**232,295**	**235,130**	**233,184**	**232,277**	**234,112**	**237,474**	**213,670**
By borrower							
2 Maturity of 1 year or less[2]	160,555	163,997	172,634	167,904	169,279	177,223	160,087
3 Foreign public borrowers	24,842	25,889	26,562	24,343	24,102	23,483	22,725
4 All other foreigners	135,714	138,108	146,071	143,561	145,178	153,741	137,362
5 Maturity over 1 year[2]	71,740	71,133	60,550	64,373	64,832	60,251	53,584
6 Foreign public borrowers	39,103	38,625	35,291	39,033	39,537	35,822	30,050
7 All other foreigners	32,637	32,507	25,259	25,340	25,295	24,429	23,533
By area							
Maturity of 1 year or less[2]							
8 Europe	61,784	59,027	55,909	58,398	53,122	53,300	48,368
9 Canada	5,895	5,680	6,282	5,693	6,236	5,886	5,694
10 Latin America and Caribbean	56,271	56,535	57,991	50,479	52,227	52,929	46,719
11 Asia	29,457	35,919	46,224	45,600	50,445	57,766	51,744
12 Africa	2,882	2,833	3,337	3,601	3,514	3,225	3,165
13 All other[3]	4,267	4,003	2,891	4,134	3,735	4,118	4,396
Maturity of over 1 year[2]							
14 Europe	6,737	6,696	4,666	4,561	6,065	4,595	4,407
15 Canada	1,925	2,661	1,922	2,592	2,459	2,353	2,702
16 Latin America and Caribbean	56,719	53,817	47,547	50,537	49,046	45,844	37,668
17 Asia	4,043	3,830	3,613	3,803	4,203	4,142	5,479
18 Africa	1,539	1,747	2,301	2,408	2,475	2,633	2,764
19 All other[3]	777	2,381	501	472	584	684	564

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Remaining time to maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1986	1987	1988				1989				1990
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**386.5**	**382.4**	**370.9**	**351.9**	**354.0**	**346.3**	**346.1**	**340.0**	**346.0**	**337.8**	**336.5[r]**
2 G-10 countries and Switzerland	156.6	159.7	156.3	150.7	148.7	152.7	145.4	145.1	146.4	152.7	146.8[r]
3 Belgium-Luxembourg	8.4	10.0	9.1	9.2	9.5	9.0	8.6	7.8	6.9	6.3	6.6[r]
4 France	13.6	13.7	11.8	10.9	10.3	10.5	11.2	10.8	11.1	11.7	10.5
5 Germany	11.6	12.6	11.8	10.6	9.2	10.3	10.2	10.6	10.4	10.5	11.2
6 Italy	9.0	7.5	7.4	6.3	5.6	6.8	5.2	6.1	6.8	7.4	6.0
7 Netherlands	4.6	4.1	3.3	3.2	2.9	2.7	2.8	2.8	2.4	3.1	3.1
8 Sweden	2.4	2.1	2.1	1.9	1.9	1.8	2.3	1.8	2.0	2.0	2.1
9 Switzerland	5.8	5.6	5.1	5.6	5.2	5.4	5.1	5.4	6.1	7.1	6.3
10 United Kingdom	70.9	68.8	71.7	70.4	67.6	66.2	65.6	64.5	63.7	67.0	63.8
11 Canada	5.2	5.5	4.7	5.3	4.9	5.0	4.0	5.1	5.9	5.4	4.8
12 Japan	25.1	29.8	29.2	27.3	31.6	34.9	30.5	30.2	31.0	32.2	32.5[r]
13 Other developed countries	26.1	26.4	26.4	24.0	23.0	21.0	21.1	21.2	21.0	20.7	23.1
14 Austria	1.7	1.9	1.6	1.6	1.6	1.5	1.4	1.7	1.5	1.5	1.5
15 Denmark	1.7	1.7	1.4	1.1	1.2	1.1	1.1	1.4	1.1	1.1	1.1
16 Finland	1.4	1.2	1.0	1.2	1.3	1.1	1.0	1.0	1.1	1.0	1.1
17 Greece	2.3	2.0	2.3	2.1	2.1	1.8	2.1	2.3	2.4	2.5	2.6
18 Norway	2.4	2.2	1.9	1.9	2.0	1.8	1.6	1.8	1.4	1.4	1.7
19 Portugal	.9	.6	.5	.4	.4	.4	.4	.6	.4	.4	.4
20 Spain	5.8	8.0	8.9	7.2	6.3	6.2	6.6	6.2	6.9	7.1	8.3
21 Turkey	2.0	2.0	2.0	1.8	1.6	1.5	1.3	1.1	1.2	1.2	1.3
22 Other Western Europe	1.5	1.6	1.9	1.7	1.9	1.3	1.1	1.1	1.0	.7	1.1
23 South Africa	3.0	2.9	2.8	2.8	2.7	2.4	2.2	2.1	2.1	2.0	2.0
24 Australia	3.4	2.4	2.0	2.2	1.8	1.8	2.4	1.9	2.1	1.6	2.1
25 OPEC countries[3]	19.4	17.4	17.6	17.0	17.9	16.6	16.2	16.1	16.2	17.1	15.7
26 Ecuador	2.2	1.9	1.9	1.8	1.8	1.7	1.6	1.5	1.5	1.3	1.2
27 Venezuela	8.7	8.1	8.1	8.0	7.9	7.9	7.9	7.5	7.4	7.0	6.1
28 Indonesia	2.5	1.9	1.8	1.8	1.8	1.7	1.7	1.9	2.0	2.0	2.1
29 Middle East countries	4.3	3.6	3.9	3.5	4.6	3.4	3.3	3.4	3.5	5.0	4.4
30 African countries	1.8	1.9	1.9	1.9	1.9	1.9	1.7	1.6	1.9	1.7	1.8
31 Non-OPEC developing countries	99.6	97.8	94.4	91.8	87.2	85.3	85.9	83.4	81.2	77.5	71.2[r]
Latin America											
32 Argentina	9.5	9.5	9.6	9.5	9.3	9.0	8.5	7.9	7.6	6.3	5.5
33 Brazil	25.3	24.7	23.8	23.7	22.4	22.4	22.8	22.1	20.9	19.0	17.5
34 Chile	7.1	6.9	6.6	6.4	6.3	5.6	5.7	5.2	4.9	4.6	4.3
35 Colombia	2.1	2.0	2.0	2.2	2.1	2.1	1.9	1.7	1.6	1.8	1.8
36 Mexico	24.0	23.5	22.4	21.1	20.4	18.8	18.3	17.7	17.2	17.7	15.2
37 Peru	1.4	1.1	1.1	.9	.8	.8	.7	.6	.6	.6	.5
38 Other Latin America	3.1	2.8	2.8	2.6	2.5	2.6	2.7	2.6	2.9	2.8	2.7
Asia											
China											
39 Mainland	.4	.3	.4	.4	.2	.3	.5	.3	.3	.3	.3
40 Taiwan	4.9	8.2	6.1	4.9	3.2	3.7	4.9	5.2	5.0	4.5	3.8
41 India	1.2	1.9	2.1	2.3	2.0	2.1	2.6	2.4	2.7	3.1	3.5
42 Israel	1.5	1.0	1.0	1.0	1.0	1.2	.9	.8	.7	.7	.6
43 Korea (South)	6.7	5.0	5.7	5.9	6.0	6.1	6.1	6.6	6.5	5.9	5.3
44 Malaysia	2.1	1.5	1.5	1.5	1.7	1.6	1.7	1.6	1.7	1.7	1.8
45 Philippines	5.4	5.2	5.1	4.9	4.7	4.5	4.4	4.4	4.0	4.1	3.7
46 Thailand	.9	.7	1.0	1.1	1.2	1.1	1.0	1.0	1.3	1.3	1.1
47 Other Asia	.7	.7	.7	.8	.8	.9	.8	.8	1.0	1.0	1.2
Africa											
48 Egypt	.7	.6	.5	.6	.5	.4	.5	.6	.5	.4	.4
49 Morocco	.9	.9	.9	.9	.8	.9	.9	.9	.8	.9	.9
50 Zaire	.1	.0	.1	.1	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[4]	1.6	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.0	1.0	.9
52 Eastern Europe	3.5	3.2	3.1	3.3	3.1	3.6	3.5	3.4	3.5	3.5	3.4[r]
53 U.S.S.R.	.1	.3	.3	.4	.4	.7	.7	.6	.8	.7	.8
54 Yugoslavia	2.0	1.8	1.9	1.9	1.8	1.8	1.7	1.7	1.7	1.6	1.4
55 Other	1.4	1.1	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.3	1.3
56 Offshore banking centers	61.5	54.5	51.5	43.0	47.3	44.2	48.5	43.1	48.9	36.2	43.0
57 Bahamas	22.4	17.3	15.9	8.9	12.9	11.0	15.8	11.0	11.1	5.1	9.3
58 Bermuda	.6	.6	.8	1.0	.9	.9	1.1	.7	1.3	1.7	.9
59 Cayman Islands and other British West Indies	12.3	13.5	11.6	10.3	11.9	12.9	12.0	10.8	15.3	8.9	10.9
60 Netherlands Antilles	1.8	1.2	1.3	1.2	1.2	1.0	.9	1.0	1.1	2.3	2.6
61 Panama[5]	4.0	3.7	3.2	3.0	2.6	2.5	2.2	1.9	1.5	1.4	1.3
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.1	11.2	11.3	11.6	10.5	9.6	9.6	10.4	10.7	9.7	9.8
64 Singapore	9.2	7.0	7.4	6.9	7.0	6.1	6.8	7.3	7.8	7.0	8.0
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	19.8	23.2	21.5	22.2	26.7	22.6	25.0	27.4	28.5	29.8	33.1

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. This group comprises the Organization of Petroleum Exporting Countries shown individually, other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates), and Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1986	1987	1988	1988	1989				1990
					Dec.	Mar.	June	Sept.	Dec.	Mar.
1	**Total**	**25,587**	**28,302**	**33,646**	**33,646**	**37,384**	**36,998**	**35,584**	**37,406**	**37,214**
2	Payable in dollars	21,749	22,785	28,040	28,040	31,594	31,925	30,746	32,588	32,920
3	Payable in foreign currencies	3,838	5,517	5,606	5,606	5,790	5,073	4,838	4,819	4,294
	By type									
4	Financial liabilities	12,133	12,424	15,130	15,130	17,453	17,124	16,268	17,524	16,663
5	Payable in dollars	9,609	8,643	11,243	11,243	13,373	13,265	12,440	13,631	13,445
6	Payable in foreign currencies	2,524	3,781	3,888	3,888	4,080	3,860	3,829	3,893	3,218
7	Commercial liabilities	13,454	15,878	18,516	18,516	19,931	19,874	19,315	19,882	20,551
8	Trade payables	6,450	7,305	6,466	6,466	7,030	6,350	6,812	7,206	7,111
9	Advance receipts and other liabilities	7,004	8,573	12,050	12,050	12,901	13,524	12,503	12,676	13,440
10	Payable in dollars	12,140	14,142	16,797	16,797	18,220	18,661	18,306	18,957	19,475
11	Payable in foreign currencies	1,314	1,737	1,719	1,719	1,711	1,213	1,009	925	1,076
	By area or country									
	Financial liabilities									
12	Europe	7,917	8,320	9,918	9,918	12,571	11,404	10,374	10,697	9,810
13	Belgium-Luxembourg	270	213	289	289	320	357	308	340	333
14	France	661	382	319	319	224	278	262	243	199
15	Germany	368	551	699	699	741	838	809	736	699
16	Netherlands	542	866	879	879	873	834	853	946	865
17	Switzerland	646	558	1,033	1,033	954	978	839	578	595
18	United Kingdom	5,140	5,557	6,533	6,533	9,266	7,939	7,087	7,582	6,777
19	Canada	399	360	663	663	616	544	599	583	481
20	Latin America and Caribbean	1,944	1,189	1,239	1,239	677	1,216	1,315	1,226	1,764
21	Bahamas	614	318	184	184	189	165	186	157	237
22	Bermuda	4	0	0	0	0	0	0	17	0
23	Brazil	32	25	0	0	0	0	0	0	0
24	British West Indies	1,146	778	645	645	471	621	698	594	1,046
25	Mexico	22	13	1	1	15	17	4	6	5
26	Venezuela	0	0	0	0	0	0	0	0	0
27	Asia	1,805	2,451	3,306	3,306	3,583	3,860	3,878	4,916	4,503
28	Japan	1,398	2,042	2,563	2,563	2,825	3,100	3,130	4,064	3,445
29	Middle East oil-exporting countries[2]	8	8	3	3	1	12	2	2	3
30	Africa	1	4	1	1	5	3	4	2	3
31	Oil-exporting countries[3]	1	1	0	0	3	2	2	0	0
32	All other[4]	67	100	2	2	2	97	97	100	102
	Commercial liabilities									
33	Europe	4,446	5,516	7,351	7,351	7,965	7,778	8,319	8,867	9,099
34	Belgium-Luxembourg	101	132	170	170	134	114	137	178	233
35	France	352	426	455	455	579	535	806	872	883
36	Germany	715	909	1,699	1,699	1,373	1,190	1,183	1,362	1,143
37	Netherlands	424	423	591	591	670	688	548	699	688
38	Switzerland	385	559	417	417	459	447	531	621	583
39	United Kingdom	1,341	1,599	2,065	2,065	2,585	2,709	2,703	2,599	2,906
40	Canada	1,405	1,301	1,217	1,217	1,163	1,133	1,189	1,066	1,124
41	Latin America and Caribbean	924	864	1,118	1,118	1,267	1,611	1,053	1,127	1,264
42	Bahamas	32	18	49	49	35	34	27	41	37
43	Bermuda	156	168	286	286	426	388	305	308	516
44	Brazil	61	46	95	95	103	541	113	100	117
45	British West Indies	49	19	34	34	31	42	30	27	18
46	Mexico	217	189	179	179	198	179	187	243	208
47	Venezuela	216	162	177	177	179	131	107	154	86
48	Asia	5,080	6,565	6,923	6,923	7,330	6,957	7,038	6,953	6,809
49	Japan	2,042	2,578	3,097	3,097	3,059	2,708	2,674	2,772	2,624
50	Middle East oil-exporting countries[2,5]	1,679	1,964	1,386	1,386	1,526	1,431	1,406	1,346	1,341
51	Africa	619	574	578	578	706	752	639	838	739
52	Oil-exporting countries[3]	197	135	202	202	272	253	246	300	248
53	All other[4]	980	1,057	1,328	1,328	1,500	1,642	1,077	1,031	1,517

1. For a description of the changes in the International Statistics tables, see July 1979 *Bulletin*, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1986	1987	1988	1988	1989				1990
					Dec.	Mar.	June	Sept.	Dec.	Mar.
1	**Total**	**36,265**	**30,964**	**33,842**	**33,842**	**31,608**	**34,282**	**32,022**	**31,011**	**29,836r**
2	Payable in dollars	33,867	28,502	31,507	31,507	29,293	32,088	29,797	28,683	27,180r
3	Payable in foreign currencies	2,399	2,462	2,335	2,335	2,315	2,193	2,225	2,328	2,655r
	By type									
4	Financial claims	26,273	20,363	21,843	21,843	19,616	21,808	19,116	17,326	16,623r
5	Deposits	19,916	14,894	15,792	15,792	14,456	16,734	12,442	10,360	10,469r
6	Payable in dollars	19,331	13,765	14,693	14,693	13,542	15,814	11,577	9,434	9,627r
7	Payable in foreign currencies	585	1,128	1,099	1,099	914	921	865	926	842r
8	Other financial claims	6,357	5,470	6,051	6,051	5,160	5,074	6,673	6,966	6,154r
9	Payable in dollars	5,005	4,656	5,320	5,320	4,267	4,362	5,812	6,170	4,913r
10	Payable in foreign currencies	1,352	814	731	731	893	713	862	796	1,241r
11	Commercial claims	9,992	10,600	11,999	11,999	11,992	12,473	12,906	13,685	13,213r
12	Trade receivables	8,783	9,535	10,924	10,924	10,730	11,042	11,421	12,073	11,620r
13	Advance payments and other claims	1,209	1,065	1,075	1,075	1,262	1,432	1,485	1,612	1,593
14	Payable in dollars	9,530	10,081	11,494	11,494	11,485	11,913	12,408	13,079	12,640r
15	Payable in foreign currencies	462	519	505	505	507	560	498	606	573r
	By area or country									
	Financial claims									
16	Europe	10,744	9,531	10,276	10,276	8,848	8,614	7,507	6,830	7,124r
17	Belgium-Luxembourg	41	7	18	18	22	161	166	13	22
18	France	138	332	226	226	233	198	209	153	195r
19	Germany	116	102	138	138	171	199	147	194	501r
20	Netherlands	151	350	348	348	384	297	292	303	305
21	Switzerland	185	65	217	217	260	67	111	90	124
22	United Kingdom	9,855	8,467	8,977	8,977	7,469	7,378	6,340	5,848	5,262r
23	Canada	4,808	2,844	2,339	2,339	2,210	2,617	2,428	1,916	1,807
24	Latin America and Caribbean	9,291	7,012	8,122	8,122	7,465	9,351	8,278	7,428	6,843r
25	Bahamas	2,628	1,994	1,838	1,838	2,171	1,881	1,707	1,513	1,590r
26	Bermuda	6	7	19	19	25	33	33	7	4
27	Brazil	86	63	47	47	49	78	70	224	79
28	British West Indies	6,078	4,433	5,733	5,733	4,799	6,949	6,080	5,273	4,757r
29	Mexico	174	172	151	151	117	114	105	94	152
30	Venezuela	21	19	21	21	25	31	36	20	21
31	Asia	1,317	879	830	830	951	1,109	801	829	761r
32	Japan	999	605	561	561	627	640	440	439	416r
33	Middle East oil-exporting countries[2]	7	8	5	5	8	8	7	8	7
34	Africa	85	65	106	106	89	80	75	140	67
35	Oil-exporting countries[3]	28	7	10	10	8	8	8	12	11
36	All other[4]	28	33	170	170	52	37	27	183	20r
	Commercial claims									
37	Europe	3,725	4,180	5,051	5,051	4,984	5,290	5,423	6,140	6,018
38	Belgium-Luxembourg	133	178	178	178	202	205	220	241	219
39	France	431	650	661	661	760	770	824	948	951
40	Germany	444	562	623	623	657	675	688	666	690
41	Netherlands	164	133	208	208	161	413	396	478	449
42	Switzerland	217	185	327	327	251	231	222	305	270
43	United Kingdom	999	1,073	1,323	1,323	1,300	1,371	1,396	1,550	1,689
44	Canada	934	936	974	974	1,114	1,181	1,278	1,045	1,089
45	Latin America and Caribbean	1,857	1,930	2,237	2,237	2,114	2,100	2,131	2,163	2,045
46	Bahamas	28	19	36	36	34	13	10	57	22
47	Bermuda	193	170	230	230	234	238	270	323	242
48	Brazil	234	226	298	298	277	314	232	285	227
49	British West Indies	39	26	22	22	23	30	33	36	38
50	Mexico	412	368	460	460	482	438	508	507	522
51	Venezuela	237	283	226	226	213	229	188	148	189
52	Asia	2,755	2,915	2,973	2,973	3,097	3,145	3,301	3,532	3,273r
53	Japan	881	1,158	943	943	1,042	998	1,177	1,184	1,058
54	Middle East oil-exporting countries[2]	563	450	445	445	428	430	406	509	419
55	Africa	500	401	434	434	386	407	390	419	427
56	Oil-exporting countries[3]	139	144	122	122	95	111	80	108	89
57	All other[4]	222	238	331	331	297	350	381	386	361

1. For a description of the changes in the International Statistics tables, see July 1979 *Bulletin*, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1988	1989	1990 Jan.–June	1989 Dec.	1990 Jan.	Feb.	Mar.	Apr.	May[r]	June[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	181,185	213,160	88,481	15,413	13,747	13,463	16,430	11,457	15,231	18,153
2 Foreign sales	183,185	203,537	95,310	16,870	14,130	13,692	19,117	12,356	17,717	18,297
3 Net purchases, or sales (−)	**−2,000**	**9,623**	**−6,828**	**−1,457**	**−383**	**−229**	**−2,687**	**−899**	**−2,486**	**−144**
4 Foreign countries	**−1,825**	**9,857**	**−6,903**	**−1,409**	**−353**	**−230**	**−2,733**	**−937**	**−2,543**	**−108**
5 Europe	−3,350	278	−3,634	−281	−183	−144	−990	−666	−1,048	−603
6 France	−281	−708	−547	−255	−155	−157	7	−85	−189	32
7 Germany	218	−830	31	−41	41	3	105	6	−57	−66
8 Netherlands	−535	167	−137	−9	−18	−38	48	−25	−20	−83
9 Switzerland	−2,243	−3,468	−1,690	−442	−240	−242	−441	−221	−347	−199
10 United Kingdom	−954	3,729	−1,237	391	−275	183	−720	−99	−200	−127
11 Canada	1,087	−845	−535	−458	−140	51	−163	−212	−101	29
12 Latin America and Caribbean	1,238	3,089	−449	−478	−111	−178	−208	−27	90	−14
13 Middle East[1]	−2,474	3,531	−921	69	−27	93	−425	116	−593	−85
14 Other Asia	1,365	3,405	−1,136	−124	231	−30	−921	−55	−904	543
15 Japan	1,922	3,340	−1,031	−53	166	−104	−764	−92	−750	512
16 Africa	188	131	−40	9	2	−34	1	−2	0	−7
17 *Other countries*	121	268	−189	−147	−125	12	−27	−91	13	30
18 Nonmonetary international and regional organizations	**−176**	**−234**	**75**	**−48**	**−30**	**1**	**46**	**38**	**57**	**−37**
BONDS[2]										
19 Foreign purchases	86,381	120,540	58,401	13,703	9,464	10,297	9,248	8,355	8,467	12,571
20 Foreign sales	58,417	86,510	45,794	9,331	7,810	7,780	8,061	7,499	6,347	8,297
21 Net purchases, or sales (−)	**27,964**	**34,031**	**12,607**	**4,372**	**1,654**	**2,517**	**1,186**	**856**	**2,120**	**4,273**
22 Foreign countries	**28,506**	**33,678**	**12,857**	**4,319**	**2,054**	**2,491**	**1,026**	**850**	**2,195**	**4,242**
23 Europe	17,239	19,848	7,622	1,412	1,135	245	915	1,008	781	3,538
24 France	143	372	474	6	118	9	5	−58	108	293
25 Germany	1,344	−238	−378	−33	−114	−253	−15	−40	−39	82
26 Netherlands	1,514	850	30	41	−43	15	−11	−2	33	37
27 Switzerland	505	−165	474	−277	157	58	−69	59	83	186
28 United Kingdom	13,084	18,459	7,090	1,937	1,132	475	1,009	1,158	495	2,821
29 Canada	711	1,116	1,679	204	178	474	183	353	198	292
30 Latin America and Caribbean	1,931	3,686	3,185	492	493	883	313	411	508	578
31 Middle East[1]	−178	−182	353	242	87	100	36	−2	251	−120
32 Other Asia	8,900	9,063	−55	1,954	152	796	−461	−993	440	11
33 Japan	7,686	6,331	10	1,728	170	1,103	−419	−1,044	331	−131
34 Africa	−8	56	87	27	3	36	−8	48	8	2
35 *Other countries*	−89	91	−15	−11	5	−43	48	24	9	−59
36 Nonmonetary international and regional organizations	**−542**	**353**	**−250**	**52**	**−399**	**27**	**160**	**6**	**−76**	**32**
	Foreign securities									
37 Stocks, net purchases, or sales (−)[3]	−1,959	−12,832	−6,186	−2,217	772	−981	−90	−872	−2,421	−2,593
38 Foreign purchases	75,356	109,789	64,381	9,913	12,983	10,481	11,765	8,360	9,772	11,020
39 Foreign sales[3]	77,315	122,621	70,567	12,130	12,211	11,461	11,855	9,233	12,193	13,613
40 Bonds, net purchases, or sales (−)	−7,434	−6,049	−14,781	−275	556	−159	−9,605	−1,830	−1,837	−1,906
41 Foreign purchases	218,521	234,215	133,279	18,545	18,512	20,671	22,375	20,184	25,879	25,658
42 Foreign sales	225,955	240,264	148,060	18,819	17,955	20,830	31,981	22,015	27,716	27,564
43 Net purchases, or sales (−), of stocks and bonds	**−9,393**	**−18,881**	**−20,967**	**−2,492**	**1,328**	**−1,139**	**−9,695**	**−2,702**	**−4,259**	**−4,499**
44 Foreign countries	**−9,873**	**−18,914**	**−19,054**	**−2,500**	**1,220**	**−1,229**	**−8,094**	**−2,852**	**−4,054**	**−4,046**
45 Europe	−7,864	−17,728	−6,246	−933	1,398	−1,226	−305	−669	−1,888	−3,557
46 Canada	−3,747	−4,180	−4,062	−970	−58	−144	−1,323	−1,797	−721	−19
47 Latin America and Caribbean	1,384	426	−5,924	−269	33	161	−6,648	−171	282	418
48 Asia	979	2,722	−2,322	−549	111	−307	693	−341	−1,403	−1,075
49 Africa	−54	93	−20	56	−14	9	−1	−28	6	8
50 Other countries	−571	−246	−480	165	−249	277	−511	154	−331	180
51 Nonmonetary international and regional organizations	**480**	**33**	**−1,912**	**8**	**108**	**89**	**−1,601**	**150**	**−205**	**−453**

1. Comprises oil−exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3. As a result of the merger of a U.S. and U.K. company in July 1989, the former stockholders of the U.S. company received $5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data above.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1988	1989	1990 Jan.–June	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May[r]	1990 June[p]
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total**[2]	**48,832**	**54,607**	**–2,552**	**1,054**	**819**	**1,454**	**–8,793**	**3,081[r]**	**–2,505**	**3,394**
2 Foreign countries[2]	48,170	52,705	–1,468	–462	1,090	1,795	–8,597	4,071[r]	–2,915	3,088
3 Europe[2]	14,319	35,939	5,983	2,432	1,238	2,191	–2,374	5,998[r]	–4,247	3,178
4 Belgium–Luxembourg	923	1,048	395	–85	144	–337	–256	458	115	270
5 Germany[2]	–5,268	7,904	860	1,735	–216	1,672	–475	633	306	–1,061
6 Netherlands	–356	–1,141	–1,341	–386	–330	–1,400	–411	749	–263	313
7 Sweden	–323	886	179	29	–71	270	–22	763	–727	–34
8 Switzerland[2]	–1,074	1,097	299	–355	–284	–5	–251	422	–189	606
9 United Kingdom	9,640	20,198	2,058	1,285	150	1,627	–298	2,250	–3,533	1,862
10 Other Western Europe	10,786	5,968	3,524	209	1,845	363	–664	714[r]	43	1,223
11 Eastern Europe	–10	–21	6	0	0	0	0	6	0	0
12 Canada	3,761	701	–5,338	164	–542	–2,137	–1,383	110	–1,752	367
13 Latin America and Caribbean	713	490	3,956	–886	–333	91	672	2,134	478	914
14 Venezuela	–109	311	–48	–36	–107	–48	38	–49	71	48
15 Other Latin America and Caribbean	1,130	–297	2,143	–610	262	16	270	–35	610	1,021
16 Netherlands Antilles	–308	475	1,860	–240	–488	123	365	2,218	–204	–154
17 Asia	27,603	14,021	–5,371	–2,767	447	2,287	–5,119	–3,872[r]	2,725	–1,838
18 Japan	21,750	2,404	–8,331	–1,133	837	852	–5,630	–6,102	2,933	–1,221
19 Africa	–13	116	19	39	9	13	–43	–4[r]	–8	52
20 All other	1,786	1,439	–717	555	273	–650	–351	–294	–110	416
21 Nonmonetary international and regional organizations	661	1,902	–1,084	1,516	–272	–341	–196	–991[r]	410	305
22 International	1,106	1,473	–401	1,335	–360	–286	–92	–528[r]	403	462
23 Latin America regional	–31	231	–9	0	38	–11	–26	74	25	–109
Memo										
24 Foreign countries[2]	48,170	52,705	–1,468	–462	1,090	1,795	–8,597	4,071[r]	–2,915	3,088
25 Official institutions	26,624	27,028	–698	1,305	328	–1,425	–3,856	5,564[r]	–2,857	1,548
26 Other foreign[2]	21,546	25,677	–769	–1,767	763	3,220	–4,741	–1,493[r]	–58	1,540
Oil-exporting countries										
27 Middle East[3]	1,963	8,148	2,947	–640	916	970	1,020	668	–188	–439
28 Africa[4]	1	–1	–0	0	–1	0	0	0	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on Aug. 31, 1990		Country	Rate on Aug. 31, 1990		Country	Rate on Aug. 31, 1990	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	6.5	Oct. 1989	France[1]	9.5	Apr. 1990	Norway	8.0	June 1983
Belgium	10.25	Oct. 1989	Germany, Fed. Rep. of	6.0	Oct. 1989	Switzerland	6.0	Oct. 1989
Canada	12.92	Aug. 1990	Italy	12.5	May 1990	United Kingdom[2]	....	....
Denmark	10.5	Oct. 1989	Japan	6.0	Aug. 1990			
			Netherlands	7.0	Oct. 1989			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per year, averages of daily figures

Country, or type	1987	1988	1989	1990						
				Feb.	Mar.	Apr.	May	June	July	Aug.
1 Eurodollars	7.07	7.85	9.16	8.24	8.37	8.44	8.35	8.23	8.09	7.99
2 United Kingdom	9.65	10.28	13.87	15.07	15.23	15.17	15.11	14.95	14.92	14.95
3 Canada	8.38	9.63	12.20	12.96	13.35	13.59	13.77	13.76[r]	13.58	13.15
4 Germany	3.97	4.28	7.04	8.27	8.42	8.20	8.27	8.24	8.17	8.36
5 Switzerland	3.67	2.94	6.83	9.31	8.88	9.01	8.78[r]	8.71	8.81	8.74
6 Netherlands	5.24	4.72	7.28	8.93	8.70	8.46	8.37	8.26	8.16	8.44
7 France	8.14	7.80	9.27	10.93	10.56	9.92	9.70	9.94	9.91	10.02
8 Italy	11.15	11.04	12.44	13.22	13.03	12.11	12.09	11.33	11.38	11.53
9 Belgium	7.01	6.69	8.65	10.54	10.39	10.19	9.90	9.63	9.30	9.31
10 Japan	3.87	3.96	4.73	6.22	6.33	6.62	6.84	6.86	7.02	7.14

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar

Country/currency	1987	1988	1989	1990 Mar.	1990 Apr.	1990 May	1990 June[r]	1990 July	1990 Aug.
1 Australia/dollar[2]	70.137	78.409	79.186	75.562	76.366	76.106	77.903	79.076	80.676
2 Austria/schilling	12.649	12.357	13.236	11.514	11.862	11.699	11.843	11.520	11.048
3 Belgium/franc	37.358	36.785	39.409	35.398	34.868	34.325	34.602	33.715	32.298
4 Canada/dollar	1.3259	1.2306	1.1842	1.1800	1.1641	1.1747	1.1730	1.1570	1.1446
5 China, P.R./yuan	3.7314	3.7314	3.7673	4.7339	4.7339	4.7339	4.7339	4.7339	4.7339
6 Denmark/krone	6.8478	6.7412	7.3210	6.5349	6.4305	6.3349	6.4080	6.2339	6.0036
7 Finland/markka	4.4037	4.1933	4.2963	4.0276	3.9923	3.9270	3.9561	3.8386	3.7071
8 France/franc	6.0122	5.9595	6.3802	5.7555	5.6638	5.5989	5.6613	5.4924	5.2706
9 Germany/deutsche mark	1.7981	1.7570	1.8808	1.7053	1.6863	1.6630	1.6832	1.6375	1.5708
10 Greece/drachma	135.47	142.00	162.60	162.44	163.77	163.82	164.78	160.59	154.84
11 Hong Kong/dollar	7.7986	7.8072	7.8008	7.8129	7.7966	7.7877	7.7855	7.7704	7.7715
12 India/rupee	12.943	13.900	16.213	17.116	17.294	17.325	17.421	17.412	17.330
13 Ireland/punt[2]	148.79	152.49	141.80	156.26	158.97	161.21	159.28	163.75	170.79
14 Italy/lira	1,297.03	1,302.39	1,372.28	1,257.67	1,238.38	1,221.93	1,235.60	1,199.65	1,156.34
15 Japan/yen	144.60	128.17	138.07	153.31	158.46	154.04	153.70	149.04	147.99
16 Malaysia/ringgit	2.5186	2.6190	2.7079	2.7170	2.7264	2.7024	2.7104	2.7051	2.6966
17 Netherlands/guilder	2.0264	1.9778	2.1219	1.9204	1.8984	1.8704	1.8946	1.8452	1.7698
18 New Zealand/dollar[2]	59.328	65.560	59.354	58.471	57.883	57.293	58.254	59.147	61.194
19 Norway/krone	6.7409	6.5243	6.9131	6.5972	6.5457	6.4477	6.4700	6.2925	6.0843
20 Portugal/escudo	141.20	144.27	157.53	150.59	149.29	147.08	147.90	143.93	138.79
21 Singapore/dollar	2.1059	2.0133	1.9511	1.8777	1.8783	1.8589	1.8471	1.8193	1.7944
22 South Africa/rand	2.0385	2.2770	2.6214	2.6158	2.6552	2.6468	2.6592	2.6253	2.5742
23 South Korea/won	825.94	734.52	674.29	700.50	708.76	711.85	718.07	718.75	718.43
24 Spain/peseta	123.54	116.53	118.44	109.37	107.00	103.98	103.91	100.41	96.84
25 Sri Lanka/rupee	29.472	31.820	35.947	40.018	40.018	40.023	40.018	40.018	40.015
26 Sweden/krona	6.3469	6.1370	6.4559	6.1683	6.1160	6.0560	6.0896	5.9470	5.7776
27 Switzerland/franc	1.4918	1.4643	1.6369	1.5133	1.4866	1.4198	1.4250	1.3924	1.3093
28 Taiwan/dollar	31.753	28.636	26.407	26.361	26.369	26.961	27.391	27.163	27.292
29 Thailand/baht	25.775	25.312	25.725	25.926	26.024	25.928	25.876	25.706	25.596
30 United Kingdom/pound[2]	163.98	178.13	163.82	162.45	163.72	167.74	171.03	180.98	189.85
MEMO									
31 United States/dollar[3]	96.94	92.72	98.60	94.11	93.51	92.04	92.43	89.68	86.62

1. Averages of certified noon buying rates in New York for cable transfers. *Data in this table also appear in the Board's G.5 (405) release. For address, see* inside front cover.
2. *Value in U.S. cents.*
3. Index of weighted-average exchange value of U.S. dollar against the currencies of 10 industrial countries. The weight for each of the 10 countries is the 1972–76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64, August 1978, p. 700).

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		. . .	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables, details do not add to totals because of rounding.

STATISTICAL RELEASES—List Published Semiannually, with Latest BULLETIN *Reference*

SPECIAL TABLES—Published Irregularly, with Latest BULLETIN *Reference*

Special table follows.

4.31 Pro forma balance sheet for priced services of the Federal Reserve System[1]

Millions of dollars

Item	June 30, 1990		June 30, 1989	
Short-term assets[2]				
Imputed reserve requirement on clearing balances	222.6		217.9	
Investment in marketable securities	1,632.4		1,598.1	
Receivables	59.1		62.4	
Materials and supplies	6.5		6.6	
Prepaid expenses	15.4		11.0	
Items in process of collection	3,098.1		2,969.6	
Total short-term assets		5,034.2		4,865.6
Long-term assets[3]				
Premises	304.8		282.4	
Furniture and equipment	130.3		122.0	
Leases and leasehold improvements	7.0		7.7	
Prepaid pension costs	57.8		44.7	
Total long-term assets		499.9		456.9
Total assets		**5,534.1**		**5,322.4**
Short-term liabilities				
Clearing balances and balances arising from early credit of uncollected items	2,318.4		1,993.7	
Deferred availability items	2,634.8		2,791.9	
Short-term debt	81.0		80.0	
Total short-term liabilities		5,034.2		4,865.6
Long-term liabilities				
Obligations under capital leases	1.2		1.2	
Long-term debt	140.2		130.7	
Total long-term liabilities		141.4		131.9
Total liabilities		**5,175.6**		**4,997.5**
Equity		358.5		325.0
Total liabilities and equity[4]		**5,534.1**		**5,322.4**

1. Details may not sum to totals because of rounding.
2. The imputed reserve requirement on clearing balances and investment in marketable securities reflect the Federal Reserve's treatment of clearing balances maintained on deposit with Reserve Banks by depository institutions. For presentation of the balance sheet and the income statement, clearing balances are reported in a manner comparable to the way correspondent banks report compensating balances held with them by respondent institutions. That is, respondent balances held with a correspondent are subject to a reserve requirement established by the Federal Reserve. This reserve requirement must be satisfied with either vault cash or with nonearning balances maintained at a Reserve Bank. Following this model, clearing balances maintained with Reserve Banks for priced service purposes are subjected to imputed reserve requirements. Therefore, a portion of the clearing balances held with the Federal Reserve is classified on the asset side of the balance sheet as required reserves and is reflected in a manner similar to vault cash and due from bank balances normally shown on a correspondent bank's balance sheet. The remainder of clearing balances is assumed to be available for investment. For these purposes, the Federal Reserve assumes that all such balances are invested in three-month Treasury bills.

The account "items in the process of collection" (CIPC) represents the gross amount of Federal Reserve CIPC as of the balance sheet date, stated on a basis comparable with a commercial bank. Adjustments have been made for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; items associated with nonpriced items, such as items collected for government agencies; and items associated with providing fixed availability or credit prior to receipt and processing of items. The cost base for providing services that must be recovered under the Monetary Control Act includes the cost of float (the difference between the value of gross CIPC and the value of deferred availability items) incurred by the Federal Reserve during the period, valued at the federal funds rate. The amount of float, or net CIPC, represents the portion of gross CIPC that involves a financing cost.

3. Long-term assets on the balance sheet have been allocated to priced services with the direct determination method, which uses the Federal Reserve's Planning and Control System (PACS) to ascertain directly the value of assets used solely in priced services operations and to apportion the value of jointly used assets between priced services and nonpriced services. Also, long-term assets include an estimate of the assets of the Board of Governors directly involved in the development of priced services.

Long-term assets include amounts for capital leases and leasehold improvements and for prepaid pension costs associated with priced services. Effective January 1, 1987, the Federal Reserve Banks implemented Financial Accounting Standards Board Statement No. 87, Employer's Accounting for Pensions.

4. A matched-book capital structure has been used for those assets that are not "self-financing" in determining liability and equity amounts. Short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt to equity for the bank holding companies used in the model for the private sector adjustment factor (PSAF).

4.32 Pro forma income statement for priced services of the Federal Reserve System[1]

Millions of dollars

Item	Quarter ending June 30			
	1990		1989	
Income services provided to depository institutions[2]		182.7		180.7
Production expenses[3]		146.3		141.7
Income from operations		36.4		39.0
Imputed costs[4]				
Interest on float	6.6		13.9	
Interest on debt	4.2		4.2	
Sales taxes	2.2		1.8	
FDIC insurance	1.3	14.3	.4	20.3
Income from operations after imputed costs		22.1		18.7
Other income and expenses[5]				
Investment income	40.6		42.4	
Earnings credits	35.9	4.6	40.0	2.5
Income before income taxes		26.7		21.2
Imputed income taxes[6]		7.4		5.7
Net income		**19.3**		**15.5**
MEMO				
Targeted return on equity[6]		8.4		8.2
	Six months ending June 30			
	1990		1989	
Income services provided to depository institutions[2]		364.5		357.8
Production expenses[3]		292.1		291.1
Income from operations		72.4		66.7
Imputed costs[4]				
Interest on float	15.0		25.3	
Interest on debt	8.4		8.4	
Sales taxes	4.0		3.7	
FDIC insurance	2.6	29.9	.8	38.3
Income from operations after imputed costs		42.5		28.4
Other income and expenses[5]				
Investment income	78.2		80.7	
Earnings credits	68.8	9.4	74.3	6.3
Income before income taxes		51.9		34.7
Imputed income taxes[6]		14.4		11.8
Net income		**37.5**		**22.9**
MEMO				
Targeted return on equity[6]		16.8		16.4

1. The income statement reflects income and expenses for priced services. Included in these amounts are the imputed costs of float, imputed financing costs, and the income related to clearing balances.
Details may not add to totals because of rounding.
2. Income represents charges to depository institutions for priced services. This income is realized through one of two methods: direct charges to an institution's account or charges against accumulated earnings credits. Income includes charges for per-item fees, fixed fees, package fees, explicitly priced float, account maintenance fees, shipping and insurance fees, and surcharges.
3. Production expenses include direct, indirect, and other general administrative expenses of the Federal Reserve Banks for providing priced services. Also included are the expenses of staff members of the Board of Governors working directly on the development of priced services, which amounted to $0.4 million in the second quarter and 0.9 million in the first six months for both 1990 and 1989.
4. Imputed float costs represent the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs include those for checks, book-entry securities, noncash collection, ACH, and wire transfers.
The following table depicts the daily average recovery of float by the Federal Reserve Banks for the second quarter of 1990. In the table, unrecovered float includes that generated by services to government agencies or by other central bank services.
Float recovered through income on clearing balances represents increased investable clearing balances as a result of reducing imputed reserve requirements through the use of a deduction for float for cash items in process of collection when calculating the reserve requirement. This income then reduces the float required to be recovered through other means.
As-of adjustments and direct charges refer to midweek closing float and interterritory check float, which may be recovered from depositing institutions through adjustments to the institution's reserve or clearing balance or by valuing the float at the federal funds rate and billing the institution directly.
Float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the second quarter of 1990

Total float	639.0
Unrecovered float	60.8
Float subject to recovery	578.2
Sources of float recovery	
Income on clearing balances	69.3
As of adjustments	368.6
Direct charges	93.7
Per-item fees	146.6

Also included in imputed costs is the interest on debt assumed necessary to finance priced-service assets and the sales taxes and FDIC insurance assessment that the Federal Reserve would have paid had it been a private-sector firm.
Because of a change in the methodology for imputing PSAF costs approved in 1989, FDIC insurance is now calculated on the basis of actual clearing balances and credits that are deferred to depository institutions. Previously, the assessment was calculated on the basis of available funds.
5. Other income and expenses consist of income on clearing balances and the cost of earnings credits granted to depository institutions on their clearing balances. Income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the *total* clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits are derived by applying the average federal funds rate to the *required* portion of the clearing balances, adjusted for the net effect of reserve requirements on clearing balances.
6. Imputed income taxes are calculated at the effective tax rate derived from a model consisting of the 50 largest bank holding companies. The targeted return on equity represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm, based on the bank holding company model.

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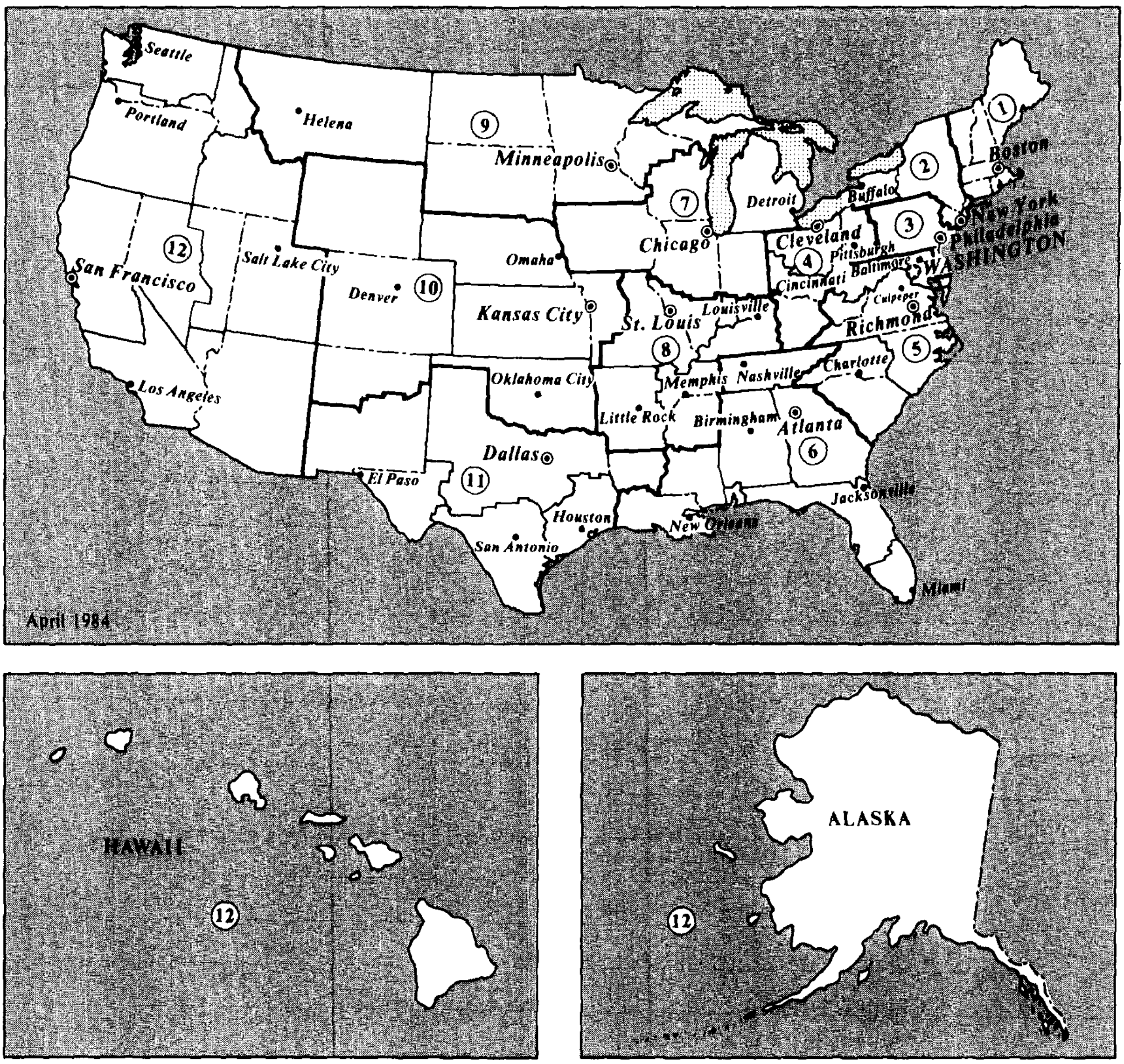

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