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German Monetary Targeting: A Retrospective View

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Nineteen ninety-five marks the twentieth year of German monetary targeting and the eighth year that the Deutsche Bundesbank has set an objective for the monetary aggregate M3.[1] Among the central banks of the major industrial countries, only the Bundesbank continues to use a monetary aggregate as its guidepost for monetary policy. In the other Group of Seven (G-7) countries—Canada, France, Italy, Japan, the United Kingdom, and the United States—the statistical relation between prices and the supply of money has weakened and become unstable over the past decade and a half, making money an unreliable guide for policy. As a result, monetary aggregates have been relegated to a smaller role in monetary policy decisions in these countries.

The erratic growth of German M3 in recent years has raised questions about the usefulness of the Bundesbank's target as well. Although the German central bank appears to be committed to M3, the aggregate's recent volatility, particularly since the political and economic unification of East and West Germany in 1990, has called into question the stability of the statistical relation between German money and prices.

The primary goal of German monetary policy, as set forth in the Bundesbank Act of 1957, is to safeguard the currency, which in practice has been interpreted to mean keeping price inflation at or below 2 percent per year. The Bundesbank believes that targeting M3 is the most reliable means of achieving this goal. At its meeting on December 22, 1994, the Bundesbank Council (the central bank's policymaking body) set the monetary target for 1995 and described it as follows:

> In 1995 the Deutsche Bundesbank will conduct its monetary policy in such a way as to ensure that inflation continues to decline and, at the same time, that the monetary conditions for sustained economic growth remain in place. To this end, the Bank regards it as appropriate for the money stock M3 to expand by 4 percent to 6 percent between the fourth quarter of 1994 and the fourth quarter of 1995 . . . .
>
> The Bundesbank is thus abiding by its tried and tested strategy of monetary targeting, and underlines that, despite the disruptive influences of the past few years, it still regards the money stock M3 as the key reference variable for its monetary policy.[2]

The study reported in this article explored the question of whether M3 targeting remains a useful approach to achieving low inflation in Germany by investigating the stability of German money demand in recent years. The findings indicate that at the time of unification, when residents of eastern Germany initially acquired deutsche marks, there was a change in the short-run dynamics of money demand as well as a shift in the level of M3 demanded. Over the longer run, however, unification apparently has not altered the demand for money in a fundamental way: The long-run, or equilibrium, relationship among German real M3 and its key determinants—real economic activity (GDP), interest rates, and real net financial wealth—seems to have remained largely unchanged over the past two and one-half decades despite unification and other major events. That said, the period since unification is short relative to the entire period studied, and more time must pass before it can be determined conclusively whether money demand has remained stable.

1. German M3 consists of notes and coins in circulation plus German residents' holdings of sight deposits at banks in Germany, time deposits having original maturities of one month to less than four years held at banks in Germany, and savings deposits having a period of notice of three months or less.

2. Deutsche Bundesbank, *Monthly Report* (January 1995), p. 23.

The article begins with a brief history of monetary targeting in the G-7 countries and then summarizes in some detail the German experience with monetary targeting. Next, recent studies of the stability of German money demand in the post-unification period are reviewed briefly and the results of the current investigation are discussed. Finally, some conclusions are drawn from the analysis. Details of the empirical investigation and estimation results and a description of the data used are given in the appendixes.

The Rise and Fall of Monetary Targeting in the G-7 Countries

Since the end of World War II, monetary policy in the G-7 countries has been devoted to the pursuit of two broad goals—economic growth and price stability.[3] Progress toward achieving these goals has been measured with intermediate targets—objectives for financial variables such as monetary aggregates or interest rates.[4] A good intermediate target variable is one that is readily observable, can be controlled by monetary authorities, and has a predictable link to one or more policy goals. Such ideal variables are uncommon, however; some meet one or two of the criteria but not all three. For example, interest rates are readily observable, but monetary authorities can influence them only indirectly, as private sector decisions ultimately determine their behavior.

In the absence of ideal intermediate target variables, monetary authorities have also formulated operating targets for variables that they can control more directly and that are closely related to their intermediate targets. In the United States, one such operating target has been the federal funds rate (the rate charged by a depository institution on an overnight sale of federal funds to another depository institution). Since the early 1970s the Federal Reserve has often used as its operating target a narrow range for the federal funds rate.

Often, the type of variable a central bank chooses as its operating target coincides with the variable chosen as an intermediate target. For example, if a central bank is aiming at a particular level of three-month or one-year interest rates as its intermediate target, it would likely use a shorter-term rate (such as the federal funds rate) as its operating target. If, on the other hand, a central bank has chosen a particular monetary aggregate as its intermediate target, it would more likely adopt a closely related operating target such as the amount of reserves in the banking system.

The choice between using the level of interest rates or a monetary aggregate as an intermediate target depends crucially on the relation of these variables to ultimate monetary policy goals. Economic theory suggests that if the nonfinancial side of the economy is stable, then interest rate targets are the most effective way to achieve economic stability, whereas if the financial side of the economy is more stable, targeting the stock of money is better. The oil shocks of the 1970s destabilized the real economy in all the G-7 nations, perhaps increasing the attractiveness of targeting monetary growth. In addition, the growth of the money stock was considered a good alternative to short-term rates as an intermediate target because it was published weekly and was thought to have a stable long-run relation to inflation. Eventually, however, the process of financial innovation and deregulation in some G-7 countries made the supply of money less controllable by monetary authorities, rendering it less useful as an intermediate target.

Roots in the 1960s

Throughout the 1950s and most of the 1960s, the industrial world experienced rapid growth with low inflation. Under the Bretton Woods system of fixed exchange rates, instituted in the mid-1940s, the central banks of the major industrial countries were limited in their ability to pursue independent monetary policies. Occasionally, they were obliged to intervene in the foreign exchange market to maintain exchange rate parities, directly affecting their

3. Technically, the term "G-7" to refer to the seven largest industrial countries was not used before the mid-1980s. Other major industrial countries, notably Switzerland, also used annual monetary targets in the 1970s and 1980s.

4. For a discussion of intermediate targets and the goals of U.S. monetary policy, see R. Glenn Hubbard, *Money, the Financial System, and the Economy* (Reading, Mass.: Addison-Wesley, 1994), chap. 21.

reserves and the supply of money.[5] When exchange markets were tranquil, central banks attempted to influence liquidity in the banking system; some regulated interest rates, some imposed controls on the growth of particular credit aggregates such as bank loans, and some did both.

The practice of targeting rates of growth of key monetary aggregates had its roots in the late 1960s when monetary authorities in several major industrial countries reduced their emphasis on short-term interest rates and began to pay more attention to monetary aggregates.[6] Around that time, economic conditions raised awareness of the influence of the money stock on economic activity over the short to medium run and on prices over the longer run. The U.S. credit crunches in 1966 and 1969 and the German recession in 1966–67, for example, were seen as having been caused in part by monetary contractions that, at least in retrospect, seemed excessive. And the U.S. fiscal expansion associated with the Vietnam war, along with an increase in the pace of money growth in 1967 and 1968, clearly precipitated a substantial rise in U.S. inflation in the late 1960s, which was transmitted to the other G-7 countries through the fixed exchange rate system. From 1970 to 1973, frequent exchange market interventions during the terminal stages of the Bretton Woods system led to a worldwide expansion in liquidity and a rise in inflation in all the G-7 countries in 1972–73 (chart 1).

Announcement of Targets in the 1970s

The orientation of monetary policy in the G-7 countries changed significantly during the 1970s. The breakdown of the Bretton Woods system gave monetary authorities greater latitude to pursue independent policies. In the early 1970s, rising inflation pressures, together with the move to flexible exchange rates, led some G-7 central banks to set objectives for the pace of monetary expansion. For instance, the Federal Reserve adopted monetary targets in 1970 with the intention of using them to gradually reduce inflation. As a result, the Federal Open Market Committee (FOMC) began to set targets for M1 and M2 growth over the period between its bimonthly meetings.[7] These objectives were initially used to guide internal policy discussions and were not released publicly.

The rise in inflation in the early 1970s was exacerbated by the outbreak of the Arab–Israeli war in autumn 1973 and the OPEC oil embargo, which caused the international price of oil to quadruple in January 1974. The negative supply shock associated with the rise of oil prices in 1973–74 contributed to recessions in the G-7 nations, which were worsened by the monetary contraction that accompanied it. High levels of inflation, interest rates, and unemployment prevailed in the G-7 countries by the mid-1970s and led to growing public concern about monetary policy.

It was in this atmosphere of stagflation that monetary authorities took a new approach to implementing monetary policy: publicly announcing targets for the growth of the supply of money. Monetary authorities in most G-7 countries adopted explicit targets for the growth of one or more money or credit aggregates in the mid-1970s, and during the second half of the 1970s these targets became a major focus of monetary policy in Canada, Germany, the United Kingdom, and the United States. By the end of the decade, all the G-7 countries except Japan and Italy had official objectives for the rate of monetary expansion.[8] The experience of the G-7 countries with announced monetary targets or (in the case of Japan) projections is summarized in table 1.[9]

5. Under the Bretton Woods system, the U.S. dollar was the nth currency, in terms of which the $(n-1)$ other currencies were defined. In theory, the United States was responsible for fixing the price of gold at $35 per ounce. In practice, however, the United States intervened only rarely in the market for gold or foreign exchange, letting the central banks of other countries intervene to fix their exchange rates against the dollar.

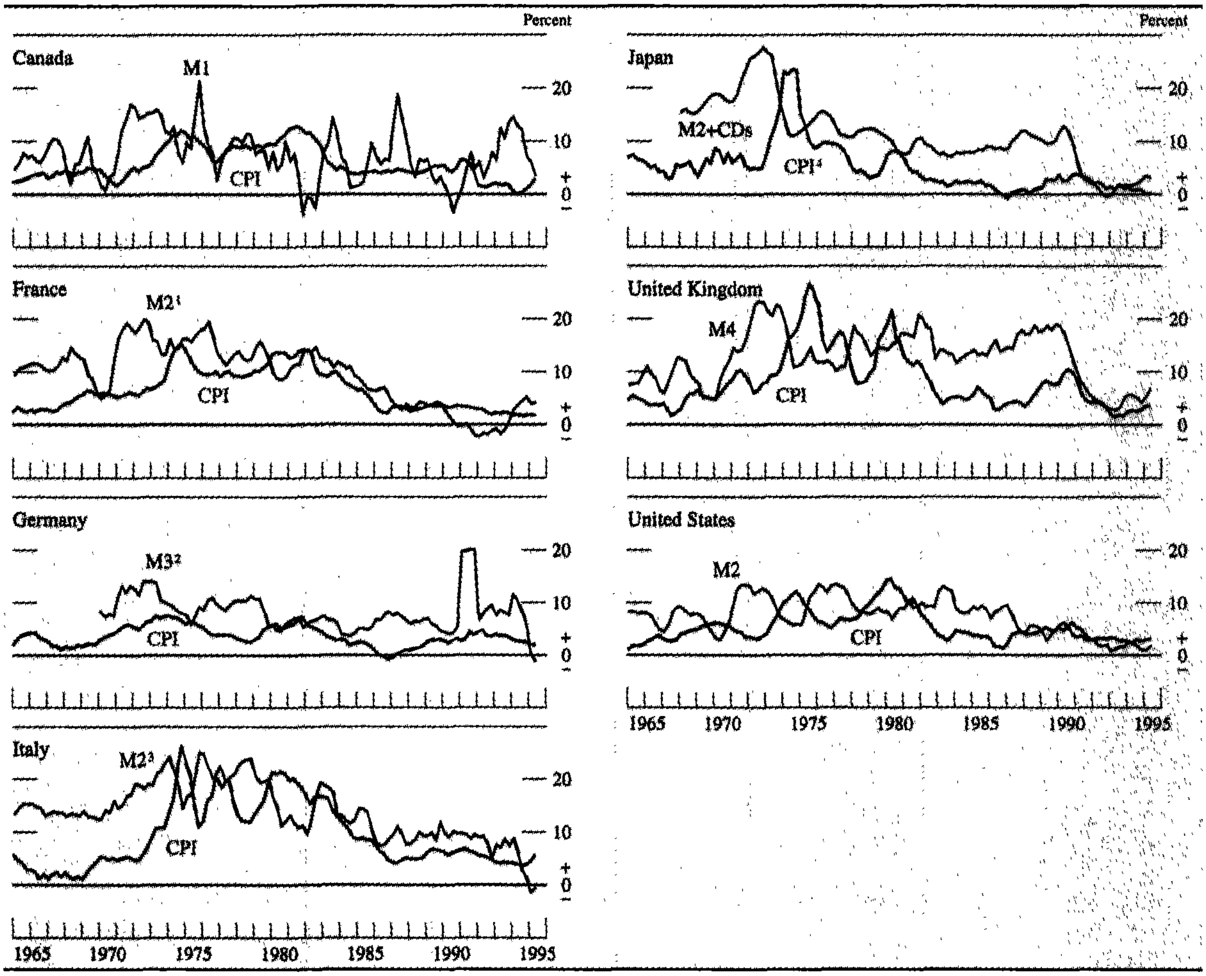
6. For a discussion of the economic events leading up to the implementation of monetary targets, as well as early experience with targets, see Organisation for Economic Co-operation and Development, *Monetary Targets and Inflation Control* (Paris: OECD, 1979). Also see Brian Griffiths and G.E. Wood, eds., *Monetary Targets* (New York: St. Martin's Press, 1981), introduction and chap. 1.

7. See Ann-Marie Meulendyke, *U.S. Monetary Policy and Financial Markets* (New York: Federal Reserve Bank of New York, 1989), pp. 38–47, for a discussion of U.S. monetary policy in the 1970s and early 1980s.

8. From 1974 to 1980, Italy did, however, set targets for total domestic credit expansion.

9. See Karen H. Johnson, "Foreign Experience with Targets for Money Growth," *Federal Reserve Bulletin*, vol. 69 (October 1983), pp. 746–54, for a comprehensive review of early experience with monetary targets abroad. Also see Paul Meek, ed., *Central Bank Views on Monetary Targeting* (Federal Reserve Bank of New York, 1983) and Michele U. Fratianni and Dominick Salvatore, eds., *Monetary Policy in Developed Economies* (New York: Greenwood Press, 1993).

1. Four-quarter change in monetary aggregates and consumer prices in the G-7 countries, 1965–95



NOTE. Monetary aggregates and consumer price indexes are from sources within each country. Definitions differ from country to country. The monetary aggregates shown were targeted or projected at some time during the past three decades.

1. French M2R before December 1977.
2. Breaks in series in December 1985 and January 1991.
3. Series redefined in December 1974.
4. Series redefined in January 1970.

Experience with Targets

In the early years of monetary targeting—the second half of the 1970s—the targets often were exceeded; only Canada was able to meet its targets consistently. At the same time, monetary authorities were trying to reduce the variability of interest rates and exchange rates, actions that were sometimes at odds with meeting the monetary targets. Nevertheless, rates of monetary growth eventually slowed somewhat, and target ranges were reduced. Then global oil prices more than doubled during the course of 1979, contributing to a worldwide rise in inflation that peaked near the turn of the decade.

The appointment of Paul Volcker as Chairman of the Federal Reserve Board in August 1979 marked a turning point in the implementation of monetary targeting. In October 1979, the Federal Reserve announced a major change in its conduct of monetary policy—adoption of an operating target for nonborrowed reserves to improve its control over M1. Interest rates shot up, and M1 growth declined from an annual rate of 8½ percent over the first three quarters of 1979 to 5½ percent during the four quarters of 1981. The change in operating

1. History of announced monetary targets or projections in the G-7 countries

Country	Initial target or projection period	Periods target was met or undershot	Periods target was exceeded
Canada[1]	M1, 1975:Q2 to 1976:Q2	1976–82	
France[2]	M2, December 1976 to December 1977	1980 1982 1987–90	1977–79 1981 1983–85
	M3, 1985:Q4 to 1986:Q4	1986 1991–93	1987
Germany	Central bank money, December 1974 to December 1975	1979–85	1975–78 1986–87
	M3, 1987:Q4 to 1988:Q4	1989–91 1994	1988 1992–93
Italy[3]	M2, December 1983 to December 1984	1986 1992 1994	1984–85 1987–91 1993
Japan[4]	M2+CDs, 1977:Q3 to 1978:Q3	. . .	. . .
United Kingdom[5]	£M3, 1976/77 (fiscal year ending March 31, 1977)	1976/77 1978/79–1979/80 1982/83–1983/84	1977/78 1980/81–1981/82 1984/85–1985/86
	PSL2, February 1982 to April 1983		1982/83–1983/84
	M1, February 1982 to April 1983	1982/83	1983/84
	M0, February 1984 to April 1985	1984/85–87 1990–91	1988–89 1992
	M4, October 1992	. . .	. . .
United States[6]	M1, March 1975 to March 1976	1976:Q1–77:Q2 1979:Q1–Q3 1981 1983–84	1977:Q3–78:Q4 1979–80 1982 1985–86
	M2, March 1975 to March 1976	1976:Q1–Q3 1977:Q4–79:Q3 1983–94	1976:Q4–77:Q3 1979–82
	M3, March 1975 to March 1976	1976:Q1–Q3 1978:Q1–79:Q3 1985–94	1976:Q4–77:Q4 1979–84

1. The Bank of Canada abandoned monetary targeting as of November 1982.

2. From 1976 through 1981, a single target rate of growth from December 1 to December 1 was announced. A range was announced for the first time in 1982, and in 1983 the target was for year-over-year growth between three-month intervals from November to January. For 1984 and 1985 the targeted aggregate was M2R, and in 1986 the monetary aggregates were redefined. In 1986, M3 became the targeted aggregate, and the target period was changed to Q4/Q4. In 1987, a target for M2 was reintroduced, and in 1988, the target for M3 was dropped. The target was switched from M2 back to M3 for 1991. In January 1994, the Monetary Policy Council of the Bank of France deemphasized its monetary growth target by announcing a medium-term growth target for M3 of 5 percent per year over a four-year period.

3. Until 1991 the target period was the calendar year; since then it has been Q4/Q4.

4. The Bank of Japan announces one-quarter-ahead forecasts of the four-quarter percentage change in M2 plus certificates of deposit but has never set a target.

5. The British government first announced a target in July 1976, for M3 growth for the rest of the fiscal year, but shortly thereafter it switched to targeting £M3, the portion of M3 denominated in pounds sterling. The periods that the targets applied to have varied considerably, often coinciding with fiscal years. Targets were updated at six-month intervals until June 1979. When the Conservative government of Margaret Thatcher came to power in June 1979, the control of the growth of the stock of money became the centerpiece of monetary policy. The target period was initially June 1979 to April 1980 and was extended in October 1979 for one year. In 1980 the target period of February 1980 to April 1981 (at an annual rate) was also adopted and was used through April 1985. From May 1985 through March 1992, targets were expressed as twelve-month growth rates in each month of a fiscal year, April through March. For October 1992, the government announced a "monitoring range" for M4. Currently the government has monitoring ranges for M0 and M4 that are expressed as twelve-month growth rates for each month during the current Parliament, which began in May 1992 and has a maximum duration of five years.

6. In April 1975, the U.S. Congress requested that the Federal Reserve prepare quarterly reports on its intentions for the monetary aggregates for the coming year. In May, the Federal Reserve began to publish target ranges for the growth of the key monetary aggregates during the twelve months ending in March 1976 but shortly afterward started to announce a quarterly target range for growth over the coming four quarters. Until 1979 the Federal Reserve announced quarterly targets for year-over-year growth; since then it has announced annual targets for Q4/Q4 growth.

procedure was largely successful at reducing inflation, which peaked at around 13 percent in early 1980 and fell below 5 percent during 1982. The shift toward tighter monetary policy and lower rates of inflation eventually occurred in all G-7 countries over the course of the 1980s and generally has continued in the 1990s.

Decreased Emphasis in the 1980s

Financial liberalization and innovation over the 1970s and 1980s changed the relationship between money stocks and other economic variables in most G-7 countries. Structural changes in these countries' banking systems altered the role of banks in the monetary transmission mechanism, and technological changes, particularly the advance of computer technology, fundamentally revolutionized financial markets and increased the speed with which financial transactions could occur.

In many countries, previously stable money demand relationships broke down during the 1980s.[10] Financial innovation and deregulation altered the elasticity of money demand with respect to income and to interest rates, making monetary aggregates less reliable as intermediate targets. For example, by late 1981 the velocity of M1 in the United States had begun to deviate significantly from its trend and the linkages between money, income, interest rates, and prices had become less stable and predictable. Since the summer of 1982 the monetary aggregates have been deemphasized in the United States, although the Federal Reserve continues to announce annual growth ranges.

In some countries, monetary aggregates have been deemphasized through a change in targeting procedure. For example, as the demand for the broad U.K. aggregate £M3 became less stable, the British government shifted to the much narrower aggregate M0. Canada abandoned monetary targeting altogether in 1982. By the end of the 1980s, the problems with monetary targeting were widely recognized and most G-7 nations had ceased to rely on monetary targets as a consistent guide for policy.

During the 1980s, monetary policy in some countries became increasingly oriented toward external objectives, in particular, toward maintaining a competitive or stable value of the nation's currency. Countries that participated in the exchange rate mechanism (ERM) of the European Monetary System progressively directed their monetary policy actions toward maintaining exchange rate parities. At times, monetary policy in the United Kingdom and Canada was also aimed at exchange rate objectives.

In the second half of the 1980s and in the early 1990s, some G-7 central banks adopted official targets for the rate of inflation, making the ultimate goal of monetary policy a target variable. The Bank of Canada and, more recently, the Bank of England have taken this approach.

HISTORY OF MONETARY TARGETING IN GERMANY

The Deutsche Bundesbank has used monetary targeting to guide policy for twenty years.[11] The Bundesbank Council usually publicizes its target range for monetary growth during the subsequent year in December and reviews the target in July. In setting the target, the Council takes into account three factors: an estimate of the growth of potential output for Germany, a maximum tolerable rate of price inflation, and an adjustment for the downward trend in velocity.[12] Recent targets have been formulated assuming growth of potential output of 2½ percent or 2¾ percent, inflation of 2 percent, and a decline in M3 velocity of 1 percent.[13]

10. One study that considered the stability of money demand in several countries was Ray C. Fair, "International Evidence on the Demand for Money," *Review of Economics and Statistics*, vol. 69 (1987), pp. 473–80. Fair concluded that the demand for money had become unstable in most major countries, the only exception being West Germany.

11. This section relies heavily on material published by the Deutsche Bundesbank in its *Monthly Report* (various issues, 1975–95). Also see Norbert Kloten, "The Control of Monetary Aggregates in the Federal Republic of Germany under Changing Conditions," in S.F. Frowen and D. Kath, eds., *Monetary Policy and Financial Innovations in Five Industrial Countries: The UK, the USA, West Germany, France, and Japan* (New York: St. Martin's Press, 1992), pp. 32–58.

12. Velocity is the rate at which the stock of money turns over in an economy and defines exactly the relation between the nominal money supply and nominal income. The velocity of German M3 has trended down over time.

13. The Bundesbank's figure for "acceptable" inflation—typically 2 percent—is based on a goal of stable prices taking into account potential errors in measurement.

The Early Years

In December 1974, the Bundesbank became the first central bank to announce a monetary target.[14] The target was 8 percent growth of the stock of central bank money between December 1974 and December 1975.[15] Germany's experience with monetary targeting since that first target was announced is summarized in table 2. For the next three years, the target was left at 8 percent growth of the stock of central bank money, but the measure was changed to annual average growth. The target was missed in all four early years, making the link between the stock of central bank money and monetary policy actions unclear.

In 1979, the target was changed in two ways. First, the measure was changed once again, from annual average growth of central bank money to growth from fourth quarter to fourth quarter. Second, the target was specified as a range of acceptable outcomes rather than a single rate. The latter change was intended to permit some scope for policy maneuvering, understanding that the prediction of money growth over a short period is inherently imprecise. Following these changes, until 1986, the growth of the stock of central bank money was consistently within its target range.[16]

In 1986, the growth of central bank money was more than 2 percentage points above the upper limit of its target range. Even so, the Bundesbank did not raise official interest rates during the year. A number of factors likely contributed to the Bundesbank's reluctance to raise interest rates. The deutsche mark increased in value 35 percent against the U.S. dollar over the year, making German exports less competitive in international markets and, along with a decline in world oil prices, putting considerable downward pressure on domestic prices. As a result, consumer prices in West Germany (as measured on an annual average basis) declined. Falling prices, combined with a flat yield curve, encouraged the holding of short-term assets included in the stock of central bank money, boosting the growth of the aggregate. Raising interest rates under such circumstances would have risked further appreciation of the mark and the consequent negative effects on growth and prices. In 1987, the growth of the central bank money stock again substantially exceeded the upper limit of its target range, owing primarily to very rapid expansion of bank notes and coins.

2. History of German monetary targeting

Rates in percent

Year	Target growth rate: Initial target[1] (Q4/Q4)	Target growth rate: Adjustment during year	Actual growth rate[1,2] (Q4/Q4)	Target met?	MEMO: Inflation[3] (Q4/Q4)
1975	About 8	...	10	No	5.5
1976	8	...	9	No	3.7
1977	8	...	9	No	3.5
1978	8	...	11	No	2.4
1979	6–9	Lower limit	6	Yes	5.3
1980	5–8	Lower limit	5	Yes	5.2
1981	4–7	Lower half	4	Yes	7.1
1982	4–7	Upper half	6	Yes	4.7
1983	4–7	Upper half	7	Yes	2.7
1984	4–6	...	5	Yes	2.1
1985	3–5	...	5	Yes	1.6
1986	3.5–5.5	...	8	No	–.9
1987	3–6	...	8	No	.9
1988	3–6	...	6.7	No	1.7
1989	About 5	...	4.6	Yes	3.0
1990	4–6	...	5.6	Yes	3.0
1991	4–6	3–5	5.2	Yes	3.9
1992	3.5–5.5	...	9.5	No	3.7
1993	4.5–6.5	...	7.4	No	3.7
1994	4–6	...	5.8	Yes	2.8
1995[4]	4–6	...	–.4	?	1.5

NOTE. Targets through 1987 refer to the central bank money stock, thereafter to M3. Data are for West Germany through 1990 and unified Germany thereafter, and have been adjusted to remove the break in level associated with unification.

1. In the early years, the target period (and thus the period for measuring actual growth) was not Q4/Q4: In 1975, the period was December 1974 to December 1975; for 1976–78, the period was the annual average growth rate over the calendar year.

2. Figures for actual growth before 1988 have been rounded.

3. Inflation is measured by the change in western German consumer prices.

4. Actual growth rate is annual rate of growth of M3 between 1994:Q4 and July 1995; the rate of inflation is inflation in August 1995 relative to August 1994.

SOURCES. Deutsche Bundesbank, *The Monetary Policy of the Bundesbank*, March 1994, and *Monthly Report*, selected issues.

14. Bundesbank Council member Otmar Issing provided an interesting discussion of Germany's experience with monetary targeting in a paper delivered at the conference on "Monetary Policy in an Integrated World Economy," Kiel, Germany, June 1995.

15. Central bank money is defined as total currency in circulation plus (1) sight deposits multiplied by a factor of 0.166, (2) time deposits having maturity of less than four years multiplied by a factor of 0.124, and (3) savings deposits having maturity of less than four years multiplied by a factor of 0.081. (The factors represent the reserve ratios effective in January 1974.)

16. Technically, the target was undershot slightly in 1980 and 1981. However, if actual growth rates are rounded up to the nearest half percentage point, as was the Bundesbank's practice, the targets were met. See Deutsche Bundesbank, *The Monetary Policy of the Bundesbank* (Frankfurt: Deutsche Bundesbank, March 1994), p. 118.

The Switch to M3

The wayward behavior of central bank money in 1986 and 1987 led the Bundesbank to switch its focus to the monetary aggregate M3 and to adopt it as a formal target in 1988. At the time, the Bundesbank cited the rapid growth of currency and its relatively heavy weight in the central bank money stock, along with the similarity between the behavior of the central bank money stock and M3, as the reasons for its move to the broader aggregate.[17] M3 growth slightly exceeded the upper limit of its target range in 1988, as the lagged effects of interest rate cuts executed in 1987 continued to boost money demand and also because more deutsche mark notes were being demanded abroad. Also, in anticipation of a withholding tax on capital income announced in the second half of 1988 and scheduled to take effect at the beginning of 1989, many German investors had begun to liquidate their longer-term deposits not included in the M3 aggregate and to move into cash.[18]

For 1989, the Bundesbank announced a target for M3 growth of "about 5 percent," the single figure intended to imply somewhat more flexibility than that in earlier years because the figure was at the upper end of the range that would have been set on the basis of the standard criteria (that is, 3 percent to 5 percent). M3 growth slowed considerably in 1989 in response to the Bundesbank's tightening of monetary conditions and also as a result of the rescinding of the withholding tax on capital income at midyear.[19] M3 expanded 4.6 percent between the fourth quarter of 1988 and the fourth quarter of 1989, and thus the target was achieved.

Unification

For 1990, the Bundesbank once again specified a target range, to reflect the uncertainties associated with the monetary and economic union of West and East Germany and to reaffirm to the public that unification had not changed the strategy or ultimate goal of monetary policy. The readoption of a target range may also have been motivated by a desire to harmonize monetary targets across European countries in the first stage of European monetary union, which began July 1, 1990. German monetary and economic unification in mid-1990, in which residents of the former East Germany traded in their ostmarks for deutsche marks, led to an increase in the level of M3 on the order of 16 percent (the shift is apparent in table 3 but has been adjusted for in the figures shown in table 2). Still, M3 expanded within its target range for the year.

In 1990, the contribution of eastern Germany to total German output was roughly 7½ percent, substantially smaller than the 16 percent share of M3 held by eastern residents.[20] Sluggish growth of M3 through mid-1991 was thought to reflect portfolio shifts by eastern German residents out of the shorter-term assets included in M3 and into longer-term assets. When M3 growth picked up toward the end of 1991, the Bundesbank cited as factors underlying its acceleration the increased use of deutsche marks in the countries of eastern Europe and the republics of the former Soviet Union and the brisk pace of credit expansion (about one-fourth to one-third of which was thought to represent subsidized lending in eastern Germany) (table 3).

ERM Turmoil and the Withholding Tax

Despite the broad changes in the German economy at unification, monetary targeting was largely on track until 1992, when various "special factors"

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17. The Bundesbank stated: "[I]n the past two years the central bank money stock has tended to exaggerate monetary growth because of the large share of currency in it (and the exceptionally fast growth of this component). Over the long term, the central bank money stock and the money stock M3 have moved largely parallel to one another. They are therefore of comparable value as guidelines for a monetary policy oriented to non-inflationary economic growth over the medium term" (*Monthly Report of the Deutsche Bundesbank*, February 1988, p. 9).

18. The withholding tax (known as the "minor investment income tax") of 10 percent was withheld at the source.

19. The withholding tax was abolished on July 1. Because the tax had applied to foreign as well as domestic investors, foreign asset holders had fled German capital markets—an unintended consequence of the tax.

20. That eastern Germans held 16 percent of M3 balances while producing only 7½ percent of all German output reflects the exchange rate used to convert ostmarks to deutsche marks at the time of unification and the greater fraction of wealth held as money balances (due to the underdevelopment of financial markets in the east). After unification, economic activity in the eastern states fell dramatically, bottoming out in 1991, when output was only 7 percent of all German GDP. Output in the eastern states has recovered steadily since and at the end of 1994 accounted for 9 percent of all German real GDP.

resulted in growth of 9.5 percent (fourth quarter over fourth quarter), exceeding the upper limit of the Bundesbank's target range by 4 percentage points. One element of M3's brisk expansion in 1992 was the continued rapid growth of currency (table 3): Continued high demand in eastern European countries and the former Soviet republics boosted currency growth throughout the year. Other, more important special factors were the September 1992 crisis in the ERM and the massive deutsche mark intervention associated with it,[21] as well as the reintroduction of a withholding tax on interest income, effective January 1, 1993, which initially induced Germans to trade securities for cash.[22] Another special factor in 1992 was the fall of long-term interest rates to levels below short-term rates, which led to shifts from longer-term assets excluded from German M3 to time deposits having maturity of less than four years (which are included in M3).

3. Change in components of German M3

Percent

Year	Currency	Sight deposits	Savings deposits	Time deposits	Memo: Change in bank credit
1990	1.3	8.6	−5.4	21.2	7.5
1991	16.6	29.4	11.4	23.8	21.4
1992	11.8	10.0	2.3	14.7	10.1
1993	8.5	8.7	10.7	7.1	7.8
1994	7.2	6.4	13.2	−7.4	8.6
1995	3.4	3.5	11.8	−19.3	5.1

Note. Change is measured from the fourth quarter of the preceding year to the fourth quarter of the year indicated. Data are for West Germany for 1990, unified Germany thereafter; growth rates for 1991 reflect a shift resulting from unification (and thus they do not correspond to the M3 growth rates in table 2). For 1995, growth of M3 components is for July (not seasonally adjusted) relative to July 1994, and change in bank credit is the twelve-month growth rate through June.

The growth of M3 slowed significantly in early 1993 as the shifts into currency associated with the imposition of the withholding tax began to unwind (as currency moved out of Germany), but the aggregate began to grow rapidly again in early summer, and the growth rate ended the year about 1 percentage point above the 6½ percent upper limit of the target range. The particular special factors that influenced the behavior of M3 in 1993 are less clear than those present in 1992. The Bundesbank again cited the greater use of the mark as a parallel currency outside Germany, pointed to the effects of the massive intervention in foreign exchange markets during another episode of ERM turmoil in late July, and mentioned the continued inversion of the yield curve.

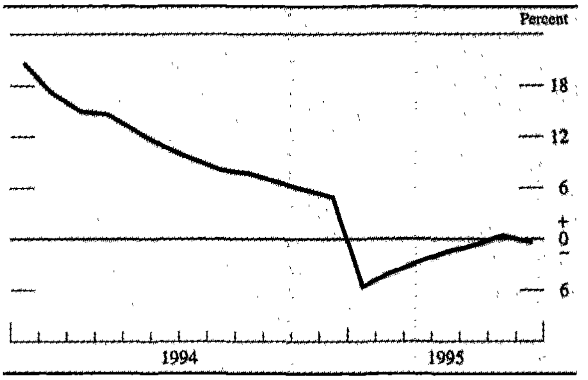
Though M3 growth exceeded its target in 1993, it was the excessive growth during the first half of 1994 that caused intensified concern about the ultimate viability of M3 targeting for Germany (chart 2). The Bundesbank attributed M3's surge to a number of special factors, both economic and statistical. One was the anticipation of a change in the law regarding the withholding tax on interest income that was to take effect on January 1, 1994, which induced a reflow of investment funds from Luxembourg to Germany in December 1993.[23] At the end of December 1993 the level of M3 was already above the average level for the fourth quarter (the base period for the target) by some

21. During the ERM crisis in September 1992, intervention by the Bundesbank totaled more than DM 92 billion ($63 billion) as authorities attempted to keep ERM currencies from rising above their upper target limit relative to the deutsche mark. The Bundesbank did not sterilize this intervention immediately; in its view, the available monetary instruments (weekly repurchase operations) were not sufficient to withdraw such a large volume of liquidity from the markets at one time. Thus, the sterilization took place gradually, causing M3 to swell during the interim period. (Had the Bundesbank chosen to withdraw such a volume of liquidity rapidly, the resulting spike in interest rates would have jeopardized an already weak domestic economy and risked further destabilization of the ERM.) The Bundesbank attempted to lessen the difficulties associated with sterilizing the large inflow into M3 by immediately shortening the maturity of repurchase contracts (from predominantly four-week to two-week contracts) and, beginning in early 1993, by issuing short-term paper (known as Bulis) to nonbanks.

22. In response to a ruling by the Federal Constitutional Court in mid-1991 that declared the prevailing treatment of interest income to be unconstitutional, the withholding tax on interest income was reinstated. However, the withholding tax instituted in 1993 differed in several ways from the one effective in 1989: First, the interest income exemption was raised by a factor of ten, to DM 6,000 per person; second, the rate of taxation was increased from 10 percent to 30 percent (35 percent for over-the-counter transactions); third, foreign holders of German assets were effectively exempt from the tax. Because the new withholding tax applied only to interest on investments with banks located in Germany, residents seeking to avoid the tax traded securities for currency in the late months of 1992. Eventually the cash was transported to Luxembourg (and other locations outside Germany) and reinvested, often in branches of German banks (which were not legally required to withhold tax on interest income). These actions caused a swelling of the currency component of M3 toward the end of 1992 and a subsequent reversal early in 1993 as the funds were reinvested outside Germany.

23. Effective January 1, 1994, the withholding tax was extended to income accruing to investors in Germany from cumulative foreign investment funds.

2. Growth of German M3, 1994–95



NOTE. Growth rates were computed as follows: The monthly level of M3 (seasonally adjusted) was divided by the average level during the target base period and expressed at an annual rate. The target base period for 1994 was 1993:Q4, and for 1995, 1994:Q4.

DM 64 billion (or 3.6 percent), adding a "monetary overhang" to the aggregate that was carried over into 1994. Another special factor cited by the Bundesbank was the expiration of tax incentives for mortgage borrowing, which boosted M3 around the turn of the year.

A steep rise in long-term interest rates in early 1994 also contributed to the rapid growth of M3 early in the year. Uncertainty about whether these movements were likely to be temporary or permanent led to a buildup of liquidity and slowed the flow of the repatriated investment funds into longer-term assets not included in M3. Eventually, the speculative inflows into time deposits were reversed, and by the end of the year M3 had fallen back into its target range.

The Introduction of Money Market Funds

Another factor influencing M3 growth over 1994 was legislation effective August 1, 1994, that encouraged the development of money market funds in Germany. Although money market funds had already been permitted in principle, they had been allowed to invest no more than 49 percent of total assets in short-term paper or bank deposits, a restriction that effectively prevented their development; the new legislation allowed the funds to invest exclusively in short-term instruments.[24] From August through December 1994, DM 46 billion flowed into money market funds, helping the Bundesbank meet its monetary target last year.[25] Had M3 been redefined to include these funds, growth would have been 6.3 percent, slightly above the upper limit of the target range but still a considerable slowdown from the pace in 1993.[26]

In December 1994, the Bundesbank reaffirmed that money market funds would not be included in the M3 aggregate but said that they would be included in the next broadest monetary aggregate, extended M3. The Bundesbank also announced its intention to monitor extended M3 and the development of money market funds.

Developments in 1995

The contraction of M3 through mid-1995 has once again raised questions about the appropriateness of monetary targeting as a guide for Bundesbank policy. Despite a leveling off of funds flowing into money market accounts, M3 has remained weak, with growth mainly in longer-term assets not included in the monetary aggregate ("monetary capital formation," in Bundesbank parlance). In July, M3 growth returned to negative territory (with June posting the only positive figure so far this year), and the level of M3 remained well below that in the fourth quarter of last year. In its midyear review of the monetary target, the Bundesbank reaffirmed the 4 percent to 6 percent target range, stating: "[T]he judgment that the long-term demand for money has remained stable, and that the current weakness of monetary growth is largely a reaction to previous dislocations, warrants neither

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24. As financial markets in other major industrial countries were introducing money market funds, the Bundesbank had resisted their development because it feared that a proliferation of short-term instruments would lead to a loss of monetary control. In September 1994, the Bundesbank stopped issuing Bulis (see note 21), thus reducing the variety of short-term instruments available to money market funds.

25. More than half the inflow into money market funds—some DM 27 billion—occurred in December and was related to a change in the taxation of assets effective at the end of the year. The change increased the tax rate on deposits while leaving the tax rate on equities (including money market funds) unchanged.

26. The calculation assumes that domestic money market funds are included in the M3 aggregate. Foreign money market funds (for instance, funds offered by German banks located in Luxembourg) have risen as well, but the M3 aggregate by definition is restricted to holdings of assets extended by banks located in Germany.

an abandonment nor a revision of this year's monetary target. However, since the monetary target is being considerably undershot at present, it seems rather unlikely that the target will be met at the end of the year." On August 24, the Bundesbank reduced official interest rates, stating that "[t]he main reason for this interest rate cut was the persistently weak trend in the money stock."

STABILITY OF GERMAN MONEY DEMAND

The viability of M3 as an intermediate target for monetary policy rests on the predictability of the macroeconomic consequences of a change in the supply of M3. If a stable money demand function exists in Germany, then a policy-driven change in M3 should have predictable influences on GDP, interest rates, and, ultimately, prices.

A number of recent studies have examined the stability of German money demand since the unification of West and East in 1990. Though the studies have differed in some ways, including the number of data observations since unification, the number and definition of explanatory variables, and the seasonal adjustment of the data, they have generally taken the same approach: specification and estimation of an equation that explains the demand for German M3 in terms of income and a measure of the opportunity cost of holding M3. Some studies analyzed the demand for nominal M3, whereas others focused on real M3 (the nominal stock of M3 deflated by some measure of prices).

The common formulation of the money demand function, used in most previous studies and in the work reported here, is a dynamic error-correction representation in which the long-run, or equilibrium, relationship between M3 and its determinants is embedded in an equation that captures short-run variation and dynamics.[27] Stability of M3 since German unification is essentially a question about the stability of the long-run relationship within the dynamic error-correction representation. This section focuses on the estimated long-run relationship; details of model testing and empirical results are given in appendix A.

The general approach in previous work, and the approach taken in the current study, is as follows: The M3 equation is initially estimated over the pre-unification period and statistical tests are performed to ensure that the estimated coefficients are stable. Then the equation's estimation range is extended to include data since 1990, with one or more dummy variables included to account for shifts due to unification. (An impulse dummy is used to detect shifts in a single quarter, whereas a shift dummy is used to detect a permanent change. A statistically significant impulse dummy would not be evidence of a break in the money demand relation, but a statistically significant shift dummy would be.) Stability is examined by comparing the pre-unification results with results for the extended period.

In general, the results of earlier studies have been mixed (table 4). Von Hagen and Hansen and Kim rejected the stability of M3 demand, whereas Issing and Tödter and the Bundesbank found little evidence that the long-run relation between money demand and its key determinants changed after German unification. Gerlach, using a money demand relation estimated through 1990, forecast German M3 through 1992 and, based on the accuracy of the forecast, concluded that the demand for M3 had remained stable. The OECD concluded that its findings lend tentative support to stability despite a small but statistically significant estimate for the shift dummy variable.

As in some earlier studies, our equations for estimating the long-run money demand relationship explained real M3 in terms of real GDP and an interest rate to proxy for the opportunity cost of holding money (table 5). In contrast to most earlier studies, however, we included real net financial wealth in the equation and estimated it using data that had not been adjusted for seasonal variation. We constructed a measure of real net financial wealth by extrapolating biannual data on flows and stocks of financial assets held by households. The wealth variable was not significant, perhaps indicating statistical problems with our measurement of real wealth. However, inclusion of real net wealth substantially reduced the estimated responsiveness of money demand to real income, producing a more plausible result (most earlier studies

27. See D.F. Hendry and N.R. Ericsson, "Modeling the Demand for Narrow Money in the United Kingdom and the United States," *European Economic Review*, vol. 35 (1991), pp. 833–86, and J.M. Kremers, N.R. Ericsson, and J.J. Dolado, "The Power of Cointegration Tests," *Oxford Bulletin of Economics and Statistics*, vol. 54 (1992), pp. 325–48, for discussions of this approach.

4. Studies of the stability of German money demand since unification

Author	Estimation period	Dependent variable	Explanatory variables	Stable?
Von Hagen[1] (1993)	1965:Q1–91:Q4	Change in M3 velocity	Real GDP or absorption, interest rate on public bonds, seasonal dummies	No
OECD[2] (1993)	1970:Q1–92:Q4	Change in real M3	Real GDP, opportunity cost, shift dummy for 1991:Q1	Yes?
OECD[3] (1994)	1970:Q1–93:Q4	Change in real M3	Real GDP, 3-month interest rate, interest rate on public bonds, shift and impulse dummies for 1991:Q1	Yes?
Gerlach[4] (1994)	1971:Q1–90:Q4	Change in M3	Real GDP, opportunity cost, impulse dummy for 1990:Q2, shift dummy for 1990:Q3	Yes
Issing and Tödter[5] (1995)	1976:Q1–93:Q2	4-quarter change in real M3 not adjusted for seasonal factors	Real GDP, opportunity cost, inflation, seasonal dummies, impulse dummy for 1990:Q2	Yes
Bundesbank[6] (1995)	1975:Q1–95:Q1	Change in M3	Nominal GDP, interest rate on bearer securities, nominal financial wealth, shift and impulse dummies for 1990:Q3, impulse dummies for major tax changes in 1993 and 1994	Yes
Hansen and Kim[7] (Forthcoming)	1974:Q1–92:Q4	Change in real M3	Real GDP, 3-month interest rate, interest rate on public bonds	No

NOTE. Data used in the studies were seasonally adjusted unless otherwise noted.

1. Jürgen Von Hagen, "Monetary Union, Money Demand, and Money Supply: A Review of the German Monetary Union," *European Economic Review*, vol. 37 (1993), pp. 803–36.

2. Organisation for Economic Co-operation and Development, *1992–93 Economic Survey, Germany* (Paris: OECD, 1993).

3. Organisation for Economic Co-operation and Development, *1993–94 Economic Survey, Germany* (Paris: OECD, 1994).

4. Stefan Gerlach, "German Unification and the Demand for German M3," Bank for International Settlements Working Paper 21 (Basle: 1994).

5. O. Issing and K.-H. Tödter, "Geldmenge und Preise im vereinigten Deutschland," in D. Duwendag, ed., *Neuere Entwicklungen in der Geldtheorie und Währungspolitik*, Schriften des Vereins für Socialpolitik (1995), pp. 97–123.

6. Deutsche Bundesbank, "Review of the Monetary Target and Restructuring of the Minimum Reserve Requirements," *Monthly Report* (July 1995), pp. 17–35.

7. Gerd Hansen and Jeong-Ryeol Kim, "Stability of German Money Demand: Tests of the Cointegration Relation," *Weltwirtschaftliches Archiv*, forthcoming.

reported an income elasticity well in excess of unity, a finding that does not accord with economic theory). The inclusion of wealth also reduced the estimated semi-elasticity with respect to the opportunity cost variable, which some earlier studies of German money demand found to be relatively high.

The use of data that were unadjusted for seasonal variation allowed us to estimate the seasonal effects directly and to test whether the seasonal pattern shifted at unification. It also lengthened the post-unification sample period by two observations.

Although our approach differed somewhat from those of earlier studies, our findings are similar to the earlier results regarding the effects of German unification on the long-run demand for real M3. That is, the equilibrium money demand function appears to have been largely stable since unification despite some changes in short-run dynamics and a level shift in 1990 (table 6). Our long-run estimates do, however, indicate some increase in the sensitivity of real money demand to real income and some decline with respect to changes in real net wealth. The shift in the income and wealth elasticities could be signaling a shift in the long-run relationship. However, at the time of unification, residents of eastern Germany were holding

5. Equations for estimating equilibrium money demand used in current study

For period before German unification:

$$\begin{aligned}\text{Real M3} = {} & 0.58 \times \text{real income} \\ & - 1.76 \times \text{opportunity cost} \\ & + 0.41 \times \text{real net wealth} \\ & + \text{constant}\end{aligned}$$

For entire period:

$$\begin{aligned}\text{Real M3} = {} & 0.75 \times \text{real income} \\ & - 1.83 \times \text{opportunity cost} \\ & + 0.34 \times \text{real net wealth} \\ & + \text{constant}\end{aligned}$$

6. Estimates of the change in demand for real German M3

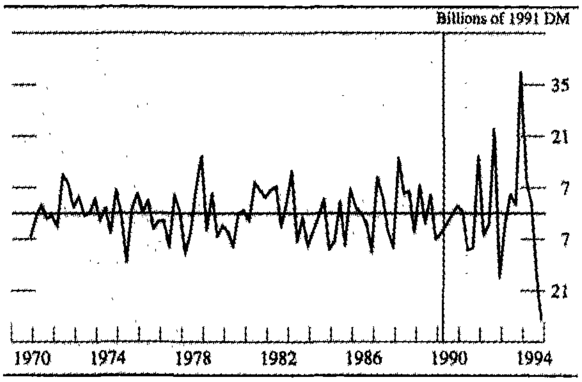
Explanatory variables	Period before unification (1970:Q3–1989:Q4)	Entire period (1970:Q3–1994:Q4)
Differenced variables		
Opportunity cost	.430*	.355
Lagged opportunity cost	−.569*	−.706**
Prices	−.715**	−.615**
Lagged levels		
Real M3	−.145	−.161*
Real GDP	.084	.121*
Opportunity cost	−.255**	−.294**
Real net wealth	.059	.055
Seasonals and dummies		
Constant	.100	.014
Q1 seasonal	−.075**	−.072**
Q2 seasonal	−.038**	−.034**
Q3 seasonal	−.051**	−.049**
Dummy 1990:Q2	...	.137**
Dummy 1990:Q3	...	.033**
Unification Q1 seasonal	...	.015**
Unification Q3 seasonal	...	.010
Regression statistics		
R-squared	.904	.916
Standard error	.00700	.00769
Durbin Watson	1.96	1.85

NOTE. Statistical significance was computed using heteroskedastic-consistent standard errors (HCSEs).

* Significant at the 5 percent level.

** Significant at the 1 percent level.

3. Prediction errors for the stock of German real M3



NOTE. Vertical line marks time of unification of monetary statistics for East and West Germany.

most of their financial wealth in the form of M3, and some additional diversification out of M3 assets is likely. Thus, it is probably still too early in the post-unification period to ascertain conclusively whether the long-run demand for German M3 has remained stable.

To assess the accuracy of our model, we examined the prediction errors for the level of real M3 (chart 3).[28] Despite the apparent stability of long-run money demand, prediction errors and the variability of those errors have become noticeably larger since unification. Recently, large prediction errors have tended to coincide with periods when special factors, such as tax or regulatory changes, were present.

CONCLUSIONS

Empirical evidence from the study reported here as well as from earlier studies indicates that the demand for German M3 has remained largely stable over the past two and a half decades despite the unification of East and West Germany in 1990. Thus, the Bundesbank's continued use of M3 as its primary intermediate target in pursuit of price stability—while other central banks have de-emphasized monetary aggregates as a guide to policy—seems justified.

With the many changes worldwide in financial markets and economic relations over the past two decades, the stability of the long-run relation of the stock of money to income and prices in Germany is perhaps surprising. The relative stability may be due in part to the historical pattern of financial change in Germany. In contrast to that in other G-7 countries, domestic financial liberalization was well advanced in Germany by 1970 and has progressed relatively slowly since then. Foreign exchange controls were removed in the 1950s, and controls on interest rates were abolished in 1967—in line with a longstanding tradition of liberal banking and capital market policies.

Whereas financial change in the form of financial liberalization came early in Germany, financial change in the form of the development of new financial instruments—a source of instability in money demand in many other major industrial countries—has been relatively slow to evolve. For example, the German short-term money market is quite limited; instruments similar to U.S. three-month Treasury bills do not exist, and the public has little access to interbank money markets.

Several factors underlie the slower pace of financial innovation in Germany compared with that in other G-7 countries. In several G-7 countries,

28. As the dynamic error-correction representation is based on changes in holdings of real M3, we cumulated the predicted changes from the initial level to obtain constructed levels.

controls on exchange rates and interest rates in the 1970s and early 1980s prompted the creation of new financial instruments designed to circumvent these controls. In Germany, the early removal of such controls, combined with the relatively low rate of inflation, may have reduced the need for financial innovation. Germany's proximity to Luxembourg, a financial center that offers a full array of financial instruments and that has often served as an investment outlet for German asset holders, may also have played a role.

The relative stability of German money demand resulting from the slower pace of financial change over the past few decades has been a key ingredient in the Bundesbank's success in using monetary targeting to achieve low inflation. Another key ingredient has been the central bank's flexibility and credibility. Whenever the monetary target has become less useful because of exchange-rate or other considerations, the Bundesbank has allowed M3 to miss its target temporarily and has suffered little loss of credibility. Another important factor has been the popular consensus against inflation, which is probably stronger in Germany than in most other countries.

The future for monetary targeting in Germany is not clear. Further financial changes undoubtedly will come, raising the potential for instability in the relation between money and prices. As Europe moves toward establishing a European Central Bank, issues regarding the best intermediate targets and operating procedures are being actively discussed at the European Monetary Institute.[29] The Bundesbank's experience with monetary targeting undoubtedly will influence the future course of European monetary policy.

Appendix A: Details of Estimation and Results

This appendix discusses our general empirical approach. The estimated long-run (or equilibrium) money demand relationship was presented earlier and is not repeated. Here we lay out the general specification in which the long-run relationship is embedded and discuss the estimates for the short-run dynamics of the money demand function.

We began our analysis with a very general specification of a dynamic error-correction formulation of the demand for M3 balances:

$$(1)\quad A(L)\Delta(m-p) = \alpha_0 + \alpha_1(L)\Delta y + \alpha_2(L)\Delta p + \alpha_3(L)\Delta i + \alpha_4 y_{-1} + \alpha_5 i_{-1} + \alpha_6(w-p)_{-1} + \alpha_7(m-p)_{-1} + \alpha_8 SQ1 + \alpha_9 SQ2 + \alpha_{10} SQ3,$$

where $A(L)$ and $\alpha(L)$ are polynomials in the lag operator, L; Δ denotes the difference operator; $(m-p)$ is real M3 balances; y is real GDP; p is the GDP deflator; i is the interest rate on public bonds (a proxy for the opportunity cost of holding M3 balances); $(w-p)$ is real net financial wealth of households; and $SQ1$, $SQ2$, and $SQ3$ are seasonal dummies that take the value of 1 in the quarter indicated and 0 elsewhere. The lower case variables (other than i) are natural logarithms.

Our initial specification included four lags of the differenced variables (the variables preceded by $\alpha(L)\Delta$ in eq. 1). The equation was subsequently pared down because the estimated parameters proved to be statistically insignificant. (At each stage of the reduction process, we also used the Schwarz information criterion to judge the information content of each equation and checked for serial correlation of the residuals.) The parameters of the dynamic money demand equation estimated over the pre-unification period are shown in table 6.

We were unable to find many explanatory variables in differenced form that entered the equation describing the change in real money balances. In particular, we never found that the addition of the growth rate of real GDP or its four lagged values improved the fit of the equations.

The estimated coefficient on the contemporaneous change in the yield on public bonds was positive and significant at the 5 percent level, but it was smaller in magnitude than the coefficient on the lagged change in interest rates, which was nega-

29. Issues of currency substitution and stability of European money demand in Europe are discussed in Deutsche Bundesbank, "Demand for Money and Currency Substitution in Europe," *Monthly Report* (January 1995), pp. 33–49.

tive, as expected. In the short run, the change in interest rates may proxy for changes in short-term or own interest rates (that is, the rate paid on assets included in the M3 aggregate), which would tend to boost the demand for real M3 balances.

The parameters of our relationship proved to be sensitive to the particular interest rate used, as other authors have noted. The own rate was consistently insignificant in estimation for a number of different definitions. We constructed average own rates and marginal own rates from available data on the yields on savings deposits and time deposits (the interest-bearing components of German M3). However, the data did not allow any of these measures of the own rate to be constructed without some approximation, and the process of approximation may have introduced enough measurement error to make the variable insignificant in our regressions.[30]

The estimated coefficient on Δp (differenced prices) is significantly negative, indicating that, within a quarter, the demand for M3 is not homogeneous with respect to prices: A change of 1 percentage point in the GDP deflator erodes real balances by almost ¾ percentage point. To some extent, this result may be related to the different periodicities of money and prices, as M3 data are end-of-quarter figures whereas the GDP deflator is a quarterly average.[31]

We performed several diagnostic procedures to test for the presence of autocorrelation, autoregressive conditional heteroskedasticity (ARCH), and normality of the residuals and found no evidence of any problems.[32] However, we did find evidence of some conventional heteroskedasticity, owing in part to the inclusion of dummy variables to detect shifts at unification.

Table 6 also presents the estimation results over the extended sample period. Initially, we included several dummy variables to capture possible effects of changes in definitions of data and in economic behavior due to unification. When estimated through the fourth quarter of 1994, the results gave strong support for impulse dummies in the second and third quarters of 1990 (coinciding with breaks in the M3 and GDP series respectively), but a permanent shift dummy variable in mid-1990 was not statistically significant. The coefficients indicate a rise in real M3 balances of about 14 percent in the second quarter of 1990, followed by a further 3¼ percent boost in the third quarter. In addition, there is some evidence that the seasonal pattern of money demand changed at unification, particularly in the first quarter.

30. In his estimated equations for the pre-unification period, Von Hagen omitted the interest rates on savings deposits and time deposits included in M3 on the grounds that the rate on savings deposits did not vary enough during the sample period and the rate on time deposits was not available for a long enough period of time. See Jürgen Von Hagen, "Monetary Union, Money Demand, and Money Supply: A Review of the German Monetary Union," *European Economic Review*, vol. 37 (1993), pp. 803–36.

31. We used end-of-quarter M3 data to reduce the possibility of any within-quarter feedback from money to prices.

32. ARCH is a special type of heteroskedasticity in which the variance of the residuals exhibits an autoregressive pattern.

APPENDIX B: DATA

All observations used in the study were quarterly log levels of not seasonally adjusted data.

Money. End-of-period levels of M3. Data for West Germany only through 1990:Q1; unified Germany thereafter. (The targeted aggregate M3 is defined on the basis of seasonally adjusted, period average data.) Source: Bundesbank.

Real GDP. Data for West Germany only through 1990:Q2; unified Germany thereafter. Sources: Bundesbank (West Germany and western states) and Federal Statistical Office and the Deutsches Institut für Wirtschaftsforschung (eastern states).

GDP Deflator. Constructed from real and nominal GDP. Data for West Germany only through 1990:Q2; unified Germany thereafter.

Interest Rate. Average yield in the secondary market on all public sector bonds. Source: Bundesbank.

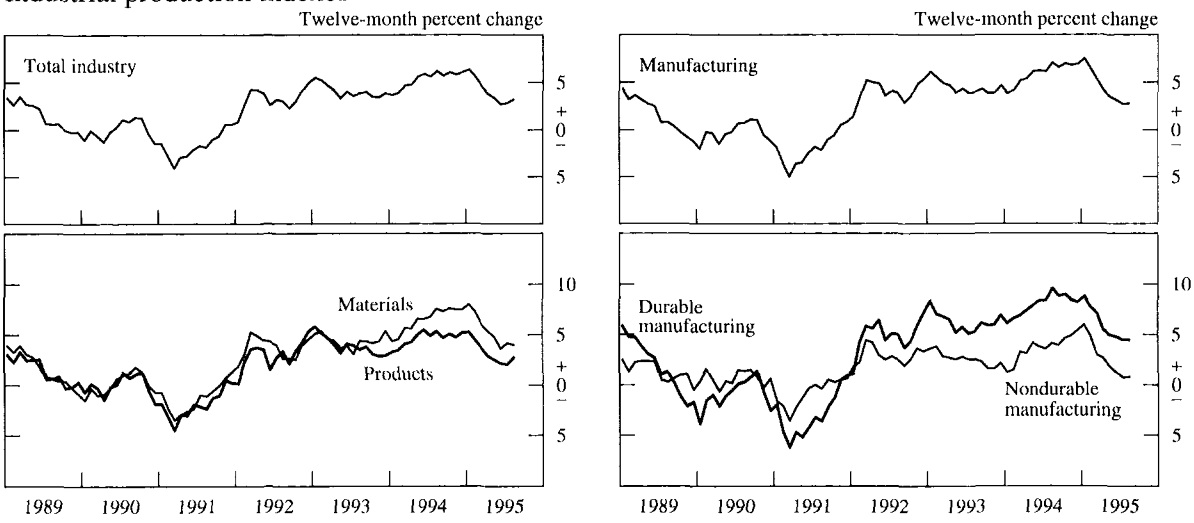
Wealth. Constructed and interpolated from biannual flows of net financial wealth of households. Data for West Germany only through 1990:Q2; unified Germany thereafter. Source: Bundesbank. □

Industrial Production and Capacity Utilization for August 1995

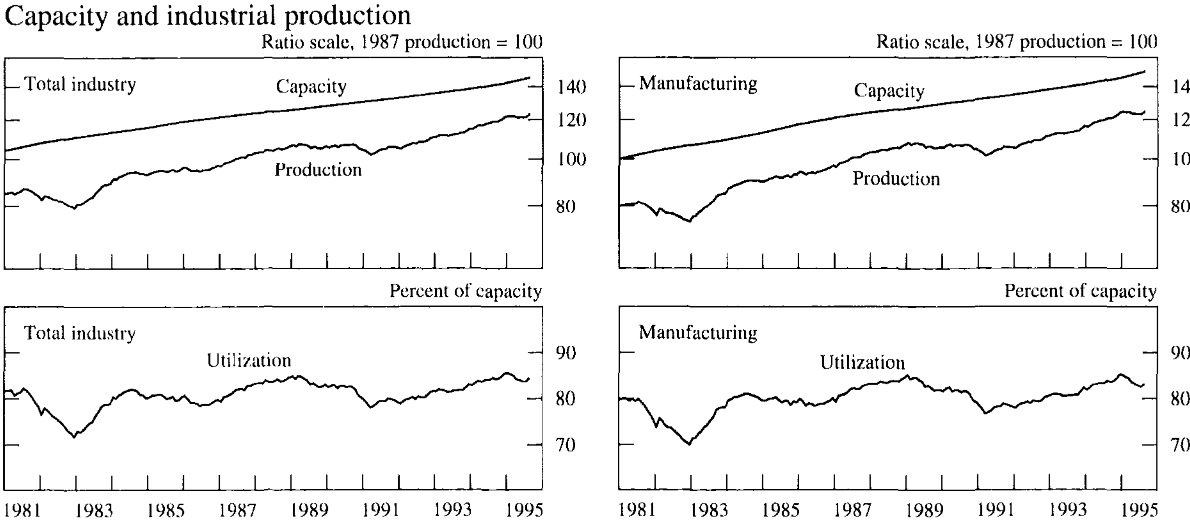
Released for publication September 15

Industrial production rose 1.1 percent in August after a revised gain of 0.3 percent in July. Manufacturing output, which increased 1 percent, was led by sharp gains in the output of motor vehicles and of related parts and materials; most other industries also posted production increases. The output of utilities increased nearly 5 percent further as the heat wave continued; mining output decreased

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, August 1995

Category	Industrial production, index, 1987 = 100								
	1995				Percentage change				
					1995[1]				Aug. 1994 to Aug. 1995
	May[r]	June[r]	July[r]	Aug.[p]	May[r]	June[r]	July[r]	Aug.[p]	
Total	**121.4**	**121.2**	**121.6**	**123.0**	**.1**	**-.1**	**.3**	**1.1**	**3.2**
Previous estimate	121.2	121.1	121.3	...	.0	.1	.1	...	...
Major market groups									
Products, total[2]	118.2	118.4	118.5	119.9	.1	.2	.1	1.2	2.7
Consumer goods	114.4	114.6	114.3	116.1	.0	.2	-.3	1.5	2.0
Business equipment	154.9	156.0	157.6	159.0	.0	.7	1.0	.9	6.8
Construction supplies	107.1	107.3	106.9	107.9	-1.3	.2	-.4	.9	.3
Materials	126.3	125.6	126.4	127.7	.1	-.6	.7	1.0	4.0
Major industry groups									
Manufacturing	123.2	123.1	123.1	124.3	-.1	.1	.0	1.0	2.8
Durable	130.1	130.6	130.9	132.7	-.2	.3	.2	1.4	4.5
Nondurable	115.5	114.8	114.4	114.9	.1	-.6	-.3	.4	.8
Mining	100.5	100.4	101.1	99.7	-.2	-.2	.7	-1.4	-.3
Utilities	122.1	121.8	126.0	132.2	3.4	-.2	3.5	4.9	11.2
	Capacity utilization, percent								MEMO Capacity, percentage change, Aug. 1994 to Aug. 1995
	Average, 1967–94	Low, 1982	High, 1988–89	1994	1995				
				Aug.	May[r]	June[r]	July[r]	Aug.[p]	
Total	**82.0**	**71.8**	**84.9**	**84.5**	**84.0**	**83.7**	**83.7**	**84.3**	**3.5**
Previous estimate	...	...	...	...	83.9	83.6	83.4	...	...
Manufacturing	81.3	70.0	85.2	83.8	83.1	82.8	82.5	83.0	3.9
Advanced processing	80.7	71.4	83.5	82.1	81.4	81.4	81.0	81.6	4.4
Primary processing	82.5	66.8	89.0	88.3	87.5	86.4	86.2	86.5	2.6
Mining	87.4	80.6	86.5	89.7	90.2	90.1	90.8	89.5	-.1
Utilities	86.7	76.2	92.6	87.8	89.2	88.9	91.9	96.3	1.4

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

1.4 percent, more than reversing the gain in July. At 123.0 percent of its 1987 average, industrial production in August was 3.2 percent above its level of August 1994. Capacity utilization rose 0.6 percentage point, to 84.3 percent.

When analyzed by market group, the data show that the output of consumer goods increased 1.5 percent, boosted by the gains in motor vehicle assemblies and in utility output for residential use. Excluding motor vehicles and utilities, the output of consumer goods rose 0.6 percent after having fallen about 1¼ percent between January and July; the gain in August largely reflected increases in the production of appliances, furniture, consumer chemical products, and food.

The production of business equipment advanced 0.9 percent, about the same as the monthly increases recorded in June and July; gains in the output of both industrial equipment and information processing and related equipment were sizable. The output of construction supplies turned up, rising nearly 1 percent in its first significant gain since January; nonetheless, production in this market category remained well below the high levels at the turn of the year.

The output of materials rose sharply last month because of sizable increases in the production of the energy and durable goods components. Another weather-related jump in electricity generation accounted for the gain in energy materials. Among durable goods materials, production increased significantly in parts and materials for use in motor vehicles and high-technology equipment. The output of nondurable materials rose for the second consecutive month but has reclaimed only a part of its June plunge. In August, the output levels for both textile and paper materials were still well below those of May, while the output of chemicals had nearly recovered.

When analyzed by industry group, the data show that factory output rose 1 percent in August, with the most pronounced gains in durables. As a result of the increase, the August level of manufacturing output was only slightly below the recent peak in January. Most major durable goods industries posted gains of about 1 percent or more in August. The output of motor vehicles and parts increased 4.2 percent, the first notable gain in this industry since early this year. Another sharp advance in the production of computers and related components contributed significantly to the increases in industrial machinery and equipment and in electrical machinery. The output of nondurables rose 0.4 percent, reversing the loss in July. Declines in paper production and petroleum refining offset some of the gains in the other major nondurable industries.

The factory operating rate, which had been declining since early this year, rose 0.5 percentage point in August, to 83.0 percent. Although still below its recent peak, the utilization rate in manufacturing was nearly 2 percentage points above its 1967–94 average. The rise in the operating rate in August was more pronounced among advanced-processing industries than among primary-processing industries. The level of utilization in advanced-processing industries was 1.6 percentage points below its recent peak; for primary-processing industries, the gap was 4.3 percentage points.

The abnormally high temperatures in July and August pushed electricity output well above trend and boosted the operating rate for utilities to 96.3 percent in August, the highest level since May 1970. The operating rate for mining fell 1.3 percentage points, largely because of a sharp cutback in coal mining. □

Statement to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Banking and Financial Services, U.S. House of Representatives, August 2, 1995

I am pleased to be able to appear here today to offer my thoughts on the status of the Savings Association Insurance Fund (SAIF) and on deposit insurance more generally.

The combination of deposit insurance and a central bank providing discount window credit has made the contagion of bank runs that often characterized the nineteenth century and the first third of the twentieth century an anachronism. The United States has not suffered a financial panic or systemic bank run in the past fifty years. In large part, this reflects the safety net, whose existence, as much as its use, has helped to sustain confidence.

But deposit insurance is not without its costs. By relieving depositors of the consequences of bank failure, government guarantees of bank deposits make depositors relatively indifferent to bank failure and thus encourage banks to have larger, riskier asset portfolios than would be possible in a wholly market-driven intermediation process. Without the safety net, additional risks would have to be reflected in some combination of higher deposit costs, greater liquid asset holding, or a larger capital base, and these, in turn, would constrain risk-taking. In the late 1980s and early 1990s, the Congress responded to problems at insured depository institutions—and their insurance funds—with legislation designed to induce these entities to be more prudent risk-takers.

Today, we are here to address an evolving competitive imbalance and other implications of two insurance funds with sharply different premiums. But it is critical to underline that even if there were no evolving problem with SAIF, the existing deposit insurance system, with its reliance on two funds, would be inherently unstable.

With deposit insurance, as it is currently administered and funded, depositors do not move their funds from depository institution to depository institution based on the soundness of particular insurance funds. Depositors are generally unaware, and indeed should be unconcerned, about the Bank Insurance Fund (BIF) versus SAIF. In the mind of the typical depositor, the Federal Deposit Insurance Corporation (FDIC) provides the insurance, and the details of one fund versus another receive little attention.

Competitive depository institutions cannot differentiate themselves by the quality of the deposit insurance that is offered because it is the same insurance regardless of whether it is from BIF or SAIF. In either case, it is government-mandated and government-sponsored deposit insurance. For identical insurance, it is rational that depository institutions seek the one available at the lowest cost. If a substantial difference in deposit premiums exists between SAIF and BIF, the institutions paying the higher premium will pursue insurance offered by the other insurance fund unless there is some other reason to remain with their current fund.

Although today we are discussing what to do about SAIF, I want to stress that the problem we are addressing is a general one. If there is no substantial difference between BIF and SAIF insurance and if there is no substantial difference between the advantages granted to BIF institutions or SAIF institutions, then anytime one deposit insurance fund has difficulties that result in substantially higher deposit premiums, members will try to shift to the other deposit insurance fund. In the process, the disadvantaged fund becomes increasingly vulnerable to insolvency as its premium base declines. This, in turn, engenders a still greater incentive to leave the troubled fund or requires the payment of still higher premiums to support it. Short of effective barriers to exit, once initiated the downward spiral does indeed lead to fund insolvency. Thus, having two deposit insurance funds creates a mechanism that is prone to instability now, and probably in the future. Today, the problem is at SAIF; it may, at some date in the future, be at BIF.

The Congress can attempt to legislate barriers that try to stop institutions from shifting deposits, but the history of efforts to legislate against such strong financial incentives is not encouraging. We are, in effect, attempting to use government to enforce two different prices for the same item—namely, government-mandated deposit insurance. Such price differences only create efforts by market participants to arbitrage the difference. In the present case, with SAIF institutions expected to pay at least five times more per year for the same deposit insurance, this arbitrage means that SAIF institutions will pursue all avenues open to them profitably to move deposits from SAIF to BIF.

The difference between paying, say, 24 basis points and paying 4.5 basis points for deposit insurance translates into about $1.4 billion per year in additional premiums paid for SAIF deposits. For SAIF institutions, this equals roughly 18 percent of their 1994 pretax income. Given the large potential financial gains to SAIF institutions if they move deposits to BIF, the current deposit insurance system will impose a large dead-weight loss on the financial system. Many of the political, policy, financial, and legal institutions concerned with banking issues will be preoccupied, for the foreseeable future, with the details of this issue because SAIF institutions will continually strive to move deposits into BIF and BIF institutions will attempt to thwart such movements.

Indeed, BIF institutions suffer under the current system to the extent that SAIF members successfully shift their deposits to BIF. One way for a SAIF institution to minimize its cost under the current system is for that institution either to acquire or to be acquired by a BIF institution. The SAIF institution can be funded from nondeposit sources, while its depositors are encouraged to shift funds to the BIF institution. Current BIF members would almost surely find their premiums higher than otherwise because the new BIF deposits come without the associated insurance fund reserves, requiring older BIF deposits to pay a higher assessment to maintain the required 1.25 percent reserve ratio on both the new and the old deposits.

Using the FDIC's projections of future deposit premiums, a migration of only $40 billion to $50 billion per year of SAIF deposits to BIF deposits might yield higher deposit premiums for existing BIF members than if those members were to participate in any of a number of proffered solutions to the potential SAIF problem, each of which would remove incentives to migrate. Such a shift of deposits seems entirely credible if a large deposit premium difference exists between SAIF and BIF, since $50 billion amounts to only 7 percent of the existing SAIF assessment base. Furthermore, even this relatively small migration suggests that payments of The Financing Corporation (FICO) bond interest funded by SAIF could be put in jeopardy in the very near future. If action is not taken shortly, a future congressional appropriation for interest on FICO bonds might be required, or further increases in SAIF premiums on the smaller SAIF deposit base might be necessary, or possibly even the imposition of higher premiums on both SAIF and BIF deposits might be needed.

Meanwhile, SAIF institutions will be harmed directly by the continuation of a deposit premium higher than that to be assessed on BIF members, and the returns on capital of SAIF members will be driven lower than similarly situated competitors. As I noted, BIF institutions will be harmed by the inflow of new deposits shifted from SAIF institutions requiring BIF members to pay higher premiums. The only winners created by the looming deposit premium difference between SAIF and BIF deposits will be those depositories able to "game" the system and leave SAIF first. The solution to this problem is to end this game and merge SAIF and BIF.

A prerequisite is to put SAIF on a sound basis. This could be accomplished if, as has been recommended, the institutions that hold SAIF deposits pay a special one-time assessment to recapitalize SAIF at the legally mandated 1.25 percent ratio of insured deposits. Such a one-time charge is large: SAIF member institutions would pay as much as $6.6 billion, or 85 to 90 basis points of their deposit base. This assessment seems unlikely, however, to drive healthy SAIF members into insolvency, and weaker SAIF institutions can be allowed a longer pay-in period. The merging of a recapitalized SAIF with a sound BIF would then consolidate the FICO bond obligation of SAIF into the new insurance fund and effectively obligate past BIF members to participate on a pro rata basis.

Most bankers would argue, with some justice, that they should not be responsible for this legacy of the thrift crisis in which they played no role. Many may, nonetheless, conclude that two or two and one-half basis points per year in additional deposit premiums for the FICO interest payments may be a price they would willingly pay to finally remove the incentives of SAIF members to shift to BIF, with the associated increase in the premiums of BIF members.

Even after SAIF is recapitalized, in the years immediately ahead some large savings and loan associations, still suffering from the residue of past difficulties, may continue to represent a risk of relatively large loss to their federal deposit insurer. If SAIF were not merged with BIF, or if that merger were delayed, the risk of such loss would expose a recapitalized SAIF both to a reserve shortfall and to a higher deposit insurance premium to once again rebuild its reserves. An industry that had just paid a large one-time premium to recapitalize its insurance fund would be understandably concerned about that possibility. If such losses were to occur to a merged BIF–SAIF fund, the necessity of reserve-building would be shared among banks and thrift institutions pro rata—implying a larger dollar burden on the larger commercial bank industry. Banks would be understandably concerned about such exposure, especially after accepting a pro rata share of the FICO interest obligation.

Both sets of institutions are thus sensitive to the small probability of a large thrift institution's failure imposing still further costs on them. One way to address these concerns is for the Congress to arrange a catastrophe contingency funding arrangement over, say, the next five years to bridge the period over which this risk exists. It has been suggested, for example, that over such an interval public funds be made available in any year that losses to SAIF, or losses created by current SAIF members to a merged BIF–SAIF, exceed $500 million. If increased budget outlays are, with good reason, not acceptable to the Congress, one possibility is that this catastrophe insurance be financed through a small special insurance fee, paid to the Treasury by SAIF members to cover the potential taxpayer risk exposure.

Discussions about merging BIF with a recapitalized SAIF insurance fund and sharing the FICO interest obligation among the members of both deposit insurance funds raise the question of retaining separate bank and thrift charters. It is difficult to overstate the importance of savings and loan associations in the financing of the residential housing market in the first two decades after World War II. Their continued demonstration to other lenders of the basic credit quality of the lower downpayment, long-term, conventional, amortized, residential mortgage instrument revolutionized housing finance. Their success led public policymakers to look at thrift institutions as innovators operating at the cutting edge of the market. But beginning in the 1970s, market forces and innovations began to erode the original purpose of specialized thrift institutions and, hence, their charter. The development of mortgage-backed securities—along with the technological revolution facilitated by the computer—has lessened the special franchise of thrift institutions by creating a secondary market for most residential mortgages. As a result, the standard residential mortgage no longer requires specialized financial institutions to originate or fund these instruments.

So far in this decade, savings and loan associations and savings banks have originated 25 percent of residential mortgages—compared with 50 percent over the previous twenty years—and hold, on average, only 28 percent of outstanding residential mortgage debt, compared with two-thirds during the earlier period. Currently, only two thrift institutions are among the top fifteen mortgage servicers and none are among the top ten originators. Over the past decade, when thrift institutions' participation in the residential mortgage market receded, the aggregate supply of housing finance was unimpaired and mortgage rates apparently unaffected. Indeed, events over the past decade suggest that market forces and innovations have reduced the relative yield on the standard residential mortgage, while at the same time other market forces have made deposit rates increasingly competitive. In such an environment, significant questions are raised about the economic viability of any institution that by law or regulation is required to place most of its assets in mortgage instruments and fund them in the deposit market.

Two conclusions are clear. First, the nexus between thrift institutions and housing largely has been broken without any detriment to housing finance availability. Second, a public policy that induces—let alone requires—thrift institutions to specialize in mortgage finance threatens the continued viability of many of these entities—particularly those without wide and deep deposit franchises, tight cost controls, and the ability, when necessary, to effectively originate and sell standard mortgages that cannot profitably be held long-term. A broader charter for thrift institutions—such as a commercial bank charter that lets them hold a wider range of assets—thus would seem to be good public policy.

Even if such modifications of the thrift charter are not adopted, but especially if charter changes are made, serious consideration ought to be given to reevaluating tax rules that not only induce mortgage specialization but penalize thrift institutions that try to adopt more diversified portfolios. The special bad debt reserve treatment that provides tax benefits—and, hence, subsidy—to mortgage lending by thrift institutions should be considered for removal going forward. In addition, consideration should be given for grandfathering the reserve buildup from this past tax subsidy in order to remove it as a barrier for entities that wish to diversify. A penalty should not be charged institutions that are striving to respond rationally to market realities.

Charter changes and adjustment of tax policies will not mean that all, or even most, thrift institutions will give up mortgage originations and portfolio holdings. These entities have, over the years, built up special skills that they will continue to use in mortgage finance. Some—those with strong cost controls, greater expertise, and the ability to respond to changing market conditions—will probably continue to be strong, profitable, and viable institutions specializing mainly in mortgage credit. But long-run health for the thrift industry as a whole, I think, requires that most cannot be mortgage specialists to the same degree as in the past, and good public policy must, at a minimum, drop those provisions that penalize diversification for those that choose to do so.

Let me conclude by clarifying why the Federal Reserve is concerned about the SAIF problem and believes it is necessary to resolve it. The Federal Reserve's primary concerns are sustainable economic growth and financial stability. A healthy and competitive financial system is critical for maintaining and promoting economic growth. One key component of a healthy financial system is a sound depository institution system, and an important component of a sound depository institution system is that depository institutions are not given artificial incentives to switch between insurance funds or to abandon an insurance fund to gain competitive advantages. Such "regulatory arbitrage" wastes scarce and valuable resources that could be much more productively employed.

Furthermore, as we know from our experience in the last recession, uncertainties about the resolution of insurance fund failures, and the regulatory policies needed to protect the taxpayer while these uncertainties are resolved, can only inhibit the willingness of depository institutions to lend. While there were many reasons monetary policy encountered strong headwinds during that period, surely the legislative and regulatory reactions to the taxpayer funding of the thrift deposit insurance fund and to the depleted nature of BIF compounded our problems.

Whatever solution is finally adopted, we should not lose sight of first principles. A deposit insurance system that focuses the attention of banks and thrift institutions on the relative status of their funds, and a system that rewards those who can jump ship first, is, to say the least, counterproductive. What is needed is a deposit insurance system whose status is unquestioned, so that the depositories can appropriately focus their attention on the extension and management of credit in our economy. I might also add that a congressional decision to provide a more banklike thrift charter and banklike taxation would be consistent with market trends and stronger depositories, and would not be likely to reduce mortgage credit flows. □

Similar testimony was presented to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, July 28, 1995.

Announcements

Hemispheric Conference on Banking Supervision

The first hemispheric conference on banking supervision was held on August 23, 1995, in Buenos Aires, Argentina, under the cosponsorship of the Federal Reserve Board, the Central Bank of Argentina, and the Center for Latin American Monetary Studies.

The one-day Pan-American Conference on Banking Supervision stems directly from the summit of the Americas meeting held last December in Miami. Countries represented at the summit agreed to "support the cooperative endeavors of the Association of Latin American and Caribbean Bank Supervisors and the Council of Securities Regulators of the Americas to provide sound supervision and regulation that support the development and progressive integration of markets."

Thus, the Pan-American Conference on Banking Supervision discussed cooperative efforts to provide sound, comparable supervision and regulation of banks in the western hemisphere.

Federal Reserve Governor Edward W. Kelley addressed the conference on "Fostering Strong Financial Markets through Prudential Supervision." President Roque B. Fernandez of the Central Bank of Argentina concluded the conference with a discussion of "Harmonization of Regulatory Structures in the Hemisphere." Heads of supervision from more than thirty countries in the hemisphere participated in the discussions during the conference.

Risk-Based Capital Standards Regarding Interest Rate Risk: Final Rule

The Federal Reserve Board issued on August 2, 1995, a final rule revising risk-based capital standards to implement section 305 of the Federal Deposit Insurance Corporation Improvement Act regarding interest rate risk (IRR). The revision states that the Board will consider "a bank's exposure to declines in the economic value of its capital due to changes in interest rates" in determining the institution's capital needs. The final rule was effective September 1, 1995.

The Board also requested public comment on a proposed interagency policy statement regarding the measurement and assessment of IRR. Comments were requested by October 2, 1995.

The agencies sought public comment on a proposed framework for IRR in September 1993, and the final rule and proposed policy statement have been designed to take account of the commenters' concerns and recommendations.

Amendment to the Risk-Based Capital Guidelines Regarding the Treatment of Derivative Contracts

The Federal Reserve Board along with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation is amending the risk-based capital guidelines for banks and bank holding companies (banking organizations) regarding the treatment of derivative contracts. The final rule was effective October 1, 1995, and is based on a revision to the Basle Accord issued by the Basle Supervisors' Committee in April 1995.

The amendments revise the set of conversion factors used to estimate the potential future credit exposure of derivative contracts and permit banking organizations to recognize the effects of bilateral netting arrangements in the calculation of those estimates.

Amendments to the Capital Adequacy Guidelines for State Member Banks and Bank Holding Companies

The Federal Reserve Board on August 29, 1995, issued amendments to its capital adequacy guidelines for state member banks and bank holding companies (banking organizations) with regard to the regulatory capital treatment of certain transfers of assets with recourse. The final rule was effective September 1, 1995.

The amendments implement section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994 (Riegle Act).

The final rule will have the effect of lowering the capital requirement for small business loans and leases on personal property that have been transferred with recourse by qualified banking organizations.

MODIFICATIONS TO THE POLICY ON THIRD-PARTY ACCESS TO FEDWIRE

The Federal Reserve Board announced on August 10, 1995, that it had approved certain modifications to its policy on third-party access to Fedwire to clarify its applicability and to reduce the administrative burden of several provisions. These changes became effective August 10, 1995.

Existing arrangements for third-party access to Fedwire should comply with the revised policy by March 1, 1996. In particular, to reduce the costs imposed by the policy, the Board has limited several requirements to arrangements in which the service provider is not affiliated with the Fedwire participant. In addition, the Board has clarified the policy's scope.

These policy modifications are interim modifications pending the completion of a broader review of supervisory policies that should be applicable to outsourcing arrangements more generally. The Federal Reserve Banks will not approve any new third-party access arrangements involving a foreign service provider pending further analysis of issues associated with such arrangements.

APPROVAL OF A FIRM CLOSING TIME FOR THE FEDWIRE BOOK-ENTRY SECURITIES TRANSFER SYSTEM

The Federal Reserve Board approved on August 10, 1995, a firm closing time of 3:15 p.m. Eastern Time (ET) for transfer originations and 3:30 p.m. ET for reversals for the Fedwire book-entry securities transfer system. The Board has also authorized the Reserve Banks to continue to close the Fedwire securities transfer service earlier than 3:15/3:30 p.m. ET on certain days when the U.S. government and mortgage securities markets observe partial-day or full-day holiday operations. These changes become effective on January 2, 1996.

The Federal Reserve Banks may grant periodic extensions of the closing time in response to significant operating problems at a major bank or dealer or to prevent market disruption. The Board believes that the new schedule will benefit market participants by reducing uncertainty about the final closing time of the system, thus enabling participants to manage resources more effectively and control costs with greater certainty.

PROPOSED ACTIONS

The Federal Reserve Board requested public comment on August 10, 1995, on the benefits and costs of adopting a policy to control access to the Federal Reserve Banks' automated clearinghouse service by entities other than the depository institution whose Federal Reserve account will be debited. Comments are requested by November 9, 1995.

The Federal Reserve Board and the Department of the Treasury on August 18, 1995, jointly requested comment on proposed amendments to their rule that requires enhanced recordkeeping related to certain wire transfers by financial institutions, in accordance with the Bank Secrecy Act. Comments were requested by September 25, 1995.

The Board and the Treasury have also deferred the effective date of the recordkeeping rule from January 1, 1996, to April 1, 1996.

The Federal Reserve Board announced on August 23, 1995, an extension of time to receive public comments on proposed amendments published by the Board in connection with a review of Regulation T (Credit by Brokers and Dealers). Comments were requested by September 29, 1995, instead of by August 28, 1995.

Establishment of Position of Ombudsman at the Federal Reserve Board and Appointment to the Position

The Federal Reserve Board announced on August 7, 1995, that it had established the position of Ombudsman to handle complaints about regulatory matters as required by section 309 of the Riegle Community Development and Regulatory Improvement Act of 1994.

The Board has appointed Barbara R. Lowrey, Associate Secretary of the Board, to assume the additional responsibilities of this position.

Under the 1994 act, the Board's Ombudsman will act as a facilitator and mediator and will ensure that complaints about Board or Reserve Bank regulatory actions are addressed in a fair and timely manner.

Sponsorship of Study of Household Finances

The Federal Reserve Board is currently sponsoring a statistical study of household finances that will provide policymakers with information on the economic condition of a broad array of American families.

The study, which is undertaken every three years as part of the Survey of Consumer Finances, is being conducted for the Board by the National Opinion Research Center (NORC) at the University of Chicago through November of this year.

Participants in the study are chosen at random, using a scientific sampling procedure in 100 areas throughout the United States. A representative of NORC contacts each potential participant personally to explain the project and request time for an interview.

Names and addresses of each participant are confidential. Participation in the study is completely voluntary, and summary results will be published by the Board in the *Federal Reserve Bulletin* after all data have been assessed and analyzed.

Availability of a New Videotape on the Sale of Mutual Funds and Annuities by Banks

The Federal Reserve Board announced on August 15, 1995, the availability of a videotape designed to help consumers understand that mutual funds and annuities, unlike certificates of deposit, are neither insured by the Federal Deposit Insurance Corporation nor in any way guaranteed by the banks that sell them.

The video, which runs about eight minutes, will be used by the Federal Reserve in the seminar programs it is presently offering for consumers on the topic of uninsured products. It is also intended for educational use by bankers and consumer groups in this area.

Also available are compliance checklists to help financial institutions comply with the Interagency Statement on Retail Sales of Nondeposit Investment Products. The checklists were distributed at seminar sessions held by the Federal Reserve for bankers involved in the sale of these products. There is no charge for the video or the checklists.

To order the video, please write the Public Affairs Department, Federal Reserve Bank of Minneapolis, P.O. Box 291, Minneapolis, MN 55480-9985. Orders may also be phoned (612-340-2446) or faxed (612-335-2855).

To order the checklists, please write the Division of Consumer and Community Affairs, Federal Reserve Board, Mail Stop 800, Washington, DC 20551. To order by phone, call (202) 452-3306.

Additional information about the seminar programs for consumers and financial institutions may also be obtained from the District Federal Reserve Banks.

Change in Board Staff

The Board of Governors announced the retirement of James D. Goetzinger, Assistant Director, Division of Banking Supervision and Regulation, effective September 1, 1995. □

Minutes of the Federal Open Market Committee Meeting Held on July 5–6, 1995

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Wednesday, July 5, 1995, at 2:30 p.m. and continued on Thursday, July 6, 1995, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Blinder
Mr. Hoenig
Mr. Kelley
Mr. Lindsey
Mr. Melzer
Ms. Minehan
Mr. Moskow
Ms. Phillips
Ms. Yellen

Messrs. Boehne, Jordan, McTeer, and Stern, Alternate Members of the Federal Open Market Committee

Messrs. Broaddus, Forrestal, and Parry, Presidents of the Federal Reserve Banks of Richmond, Atlanta, and San Francisco respectively

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

Ms. Brown, Messrs. Davis, Dewald, Hunter, Lindsey, Mishkin, Promisel, Siegman, and Slifman, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Mr. Madigan, Associate Director, Division of Monetary Affairs, Board of Governors
Mr. Simpson, Associate Director, Division of Research and Statistics, Board of Governors
Ms. Johnson, Assistant Director, Division of International Finance, Board of Governors
Messrs. Clouse[1] and Roberts,[1] Economists, Divisions of Monetary Affairs and Research and Statistics respectively, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Mr. Connolly, First Vice President, Federal Reserve Bank of Boston

Messrs. Beebe, Goodfriend, Lang, Rosenblum, Sniderman, and Ms. Tschinkel, Senior Vice Presidents, Federal Reserve Banks of San Francisco, Richmond, Philadelphia, Dallas, Cleveland, and Atlanta respectively
Ms. Krieger and Mr. Miller, Vice Presidents, Federal Reserve Banks of New York and Minneapolis respectively

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on May 23, 1995, were approved.

The Manager of the System Open Market Account reported on developments in foreign exchange markets and on System foreign currency transactions during the period May 23, 1995, through July 5, 1995. By unanimous vote, the Committee ratified these transactions.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period

1. Attended portion of meeting relating to the Committee's review of the economic outlook and policy discussion.

May 23, 1995, through July 5, 1995. By unanimous vote, the Committee ratified these transactions.

The Committee then turned to a discussion of the economic and financial outlook, the ranges for growth of money and debt in 1995 and 1996, and the implementation of monetary policy over the intermeeting period ahead. A summary of the economic and financial information available at the time of the meeting and of the Committee's discussion is provided below, followed by the domestic policy directive that was approved by the Committee and issued to the Federal Reserve Bank of New York.

The information reviewed at this meeting suggested that the level of economic activity was about unchanged in the second quarter. Consumer spending apparently remained sluggish, and business spending on plant and equipment rose less rapidly than in other recent quarters. With final sales flagging, firms sought to hold down production and employment in order to keep inventories under control. Broad indexes of consumer and producer prices had increased faster on balance thus far this year, but signs of some moderation in inflation were evident in recent price data. Growth of labor compensation costs remained subdued.

Nonfarm payroll employment fell substantially in May after a small decline in April and reduced gains in the first quarter. Payrolls in the services industry continued to rise in May, but the pace of hiring was well below the average rate of increase over other recent months. In manufacturing and construction, employment contracted further in May, although part of the job decline in construction might have been temporary, reflecting heavy rains and floods in the South. The civilian unemployment rate edged lower in May, to 5.7 percent, but was somewhat above its average for the first quarter.

Industrial production continued to weaken in May, and incoming data suggested a further decline in June. Manufacturing output fell in May for a fourth consecutive month, reflecting another cutback in the production of motor vehicles. Output of non-auto manufactured goods was unchanged, with increases in the production of nondurable consumer goods and non-auto business equipment offsetting declines in output elsewhere. Utilization of manufacturing capacity dropped again in May but was still at a relatively high level.

Nominal retail sales were about unchanged over April and May. Purchases at furniture and appliance stores were up slightly on balance over the two months. Sales at automotive dealerships and apparel outlets fell in April but revived somewhat in May. Spending at building materials stores fell in both months. The retail sales reports, in combination with data on consumer prices and unit motor-vehicle sales, suggested that inflation-adjusted spending for consumer goods had changed little since the fourth quarter of last year. Housing starts were unchanged on balance over April and May; a reduction in starts of single-family homes was offset by a rise in starts of multifamily units. Adverse weather in some parts of the country might have contributed to the sluggishness in starts. Home sales were higher in May: Sales of new homes turned up sharply, and sales of existing homes also advanced somewhat.

Shipments of nondefense capital goods increased considerably in May after being unchanged in April. Shipments of computing equipment remained robust on balance over April and May, but growth of shipments of other business equipment slowed significantly. Sales of heavy trucks rebounded strongly in May from an April decline. Recent data on new orders for nondefense capital goods suggested that spending on business equipment might moderate somewhat in the months ahead after an extended period of rapid expansion. Nonresidential construction continued to trend appreciably higher in April; particularly large gains were recorded in the public utility, industrial, and institutional categories.

Business inventories grew at a little slower rate in April than in the first quarter. In manufacturing, inventory investment remained brisk in April but slowed somewhat in May; the inventory-to-sales ratio for the two months was at the high end of the range for the past year. At the wholesale level, the rate of increase in stocks in April equaled the first-quarter pace and the ratio of stocks to sales reached its highest level in several years. Inventory accumulation in the retail sector was more moderate in April. More than half the rise occurred at automotive establishments. The inventory-to-sales ratio for retailers other than auto dealers had remained stable for a number of months and was near the middle of its range for recent years.

The nominal deficit on U.S. trade in goods and services widened substantially in April from its average rate for the first quarter. The value of imports was up sharply, with increases posted in nearly all major import categories. The value of exports rose modestly from the first-quarter level; increases in exports of aircraft and industrial supplies were partially offset by declines in exports of automotive products to Canada and Mexico. Available data indicated that, on average, economic growth in the major foreign industrial countries had been sluggish in the first quarter and apparently had remained so in the second quarter; growth had been particularly weak in Canada and Japan.

Incoming data suggested that price inflation might be slowing a little after having picked up early in the year. Consumer prices rose a bit less in May; energy prices recorded another sizable increase, but food prices changed little and prices of other items advanced more slowly. However, for the twelve months ended in May, prices of non-food, non-energy consumer items increased slightly more than in the preceding twelve months. At the producer level, prices of finished goods were unchanged in May, reflecting declines in the prices of finished foods and finished energy goods; excluding food and energy, prices of finished goods rose in May at the same rate as in April. For the year ending in May, producer prices rose moderately after being essentially unchanged in the previous year. At earlier stages of production, producer prices grew at a considerably slower rate or declined in May, suggesting some easing of cost pressures over the next few months. Average hourly compensation in the nonfarm business sector accelerated in the first quarter of the year, owing in large part to temporary developments. Over the year ended in March, this compensation measure increased somewhat more than it had over the previous year. Average hourly earnings declined in May, but the change in hourly earnings over the past twelve months was slightly larger than the advance over the preceding twelve-month period.

At its meeting on May 23, 1995, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include a presumption about the likely direction of any adjustments to policy during the intermeeting period. Accordingly, the directive stated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, somewhat greater reserve restraint or somewhat lesser reserve restraint would be acceptable during the intermeeting period. The reserve conditions associated with this directive were expected to be consistent with moderate growth in the broader monetary aggregates over the months ahead.

Open market operations during the intermeeting period were directed toward maintaining the existing degree of pressure on reserve positions. The federal funds rate generally remained near 6 percent, but most short-term interest rates were down on balance in response to incoming economic data, particularly the employment report for May, that were seen by market participants as increasing the likelihood that monetary policy would be eased in the near future. Longer-term interest rates also declined in reaction to growing indications that efforts to narrow substantially the U.S. budget deficit might be successful. Yields on corporate and municipal obligations fell less than Treasury rates and risk spreads widened a little, particularly for junk bonds. Major indexes of equity prices rose over the intermeeting period, partly in response to lower interest rates.

In foreign exchange markets over the intermeeting period, the trade-weighted value of the dollar in terms of the other G-10 currencies declined considerably on balance. The dollar fell sharply in the week after the May meeting on further news of weakening in the U.S. economy but rebounded somewhat at the end of the month when concerted central-bank intervention was carried out. The dollar remained relatively stable over the balance of the period.

Growth of M2 strengthened substantially in May and June. Downward adjustments in returns on deposits and retail money fund shares had lagged declines in market interest rates in recent months, and investors evidently responded by shifting funds from market instruments into these M2 assets. For the year through June, M2 expanded at a rate in the upper half of its range for 1995. M3 also accelerated in May and June; and for the year through June, this aggregate grew at a rate well above the annual range set in February. The pickup in M3 growth importantly reflected more rapid inflows to institution-only money funds, whose yields also adjusted sluggishly to falling money market rates. Total domestic nonfinancial debt had grown at a rate in the upper half of its monitoring range in recent months.

The staff forecast prepared for this meeting suggested that economic activity would expand sluggishly over the next few months as business firms adjusted production schedules to bring inventories into better alignment with sales. Subsequently, as inventory positions were corrected, and with underlying support for final sales from the favorable wealth and interest-cost effects of the extended rally in the equity and debt markets, the economy would begin to expand at a moderate pace. The forecast assumed a modest step-up in the pace of consumer spending in response to some diminution of concerns about job prospects and incomes as well as improved financial conditions and household balance sheets. Homebuilding was projected to pick up somewhat in lagged response to the recent decline in mortgage rates and the related improvement in housing affordability. Business outlays for new equipment were expected to slow from the very rapid pace of the past few years in response to the slower growth of sales and profits, but lower costs of capital and the ready availability of financing would help to sustain appreciable growth in such investment. Export expansion would pick up in response to some anticipated strengthening in the economies of major U.S. trading partners. Considerable uncertainty continued to surround the fiscal outlook, but in light of recent developments the forecast now reflected a greater degree of fiscal restraint. In the staff's judgment, the prospects for some easing of pressure on labor and other resources suggested that price inflation likely would moderate from its recently higher level.

In the Committee's discussion of current and prospective economic developments, members commented that the apparent pause in the expansion was likely to prove temporary, and their forecasts generally pointed to an upturn in overall economic activity to a pace in the neighborhood of the economy's potential by the latter part of this year or early 1996. Many emphasized that the prospects for a strengthening economy were enhanced by the drop in intermediate- and long-term interest rates and the rise in equity prices. In the view of most members, however, the risks to the outlook were tilted to the downside. Several stressed that the ongoing adjustments to business inventories could prove to be more pronounced and of longer duration than they anticipated, with negative repercussions on production and incomes and in turn on consumer spending and business investment. Other downside risks included the adverse implications for exports of potentially less-than-projected expansion in a number of major foreign economies. Nonetheless, recent developments suggested that the period of maximum risk to the domestic expansion might have passed. With pressures on resources having diminished and likely to ease somewhat further and with labor costs remaining subdued, the risk of continuing increases in inflation had fallen considerably; indeed, in the view of many members inflation should moderate over the projection period.

In keeping with the practice at meetings when the Committee sets its long-run ranges for the money and debt aggregates, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members provided their individual projections of the growth in real and nominal GDP, the rate of unemployment, and the rate of inflation for the years 1995 and 1996. The forecasts of the rate of expansion in real GDP for 1995 as a whole had a central tendency of 1½ to 2 percent, reflecting expectations of a pickup in growth to a moderate pace in the second half of the year; for 1996, projections of growth in real GDP centered on a range of 2¼ to 2¾ percent. With regard to the expansion of nominal GDP, the growth forecasts were concentrated in a range of 4¼ to 4¾ percent for 1995 and 4¾ to 5⅜ percent for 1996. The rate of unemployment associated with these forecasts was expected to edge higher in the second half of this year to a consensus range of 5¾ to 6⅛ percent in the fourth quarters of both 1995 and 1996. Projections of the rate of inflation, as measured by the consumer price index, pointed to a small decline over the projection horizon; the projections converged on rates of 3⅛ to 3⅜ percent for 1995 and 2⅞ to 3¼ percent for 1996.

In the course of the discussion, members indicated that much of the economic information that had become available since the May meeting had suggested a greater softening in the economy than they had anticipated and had raised concerns about the timing and strength of the upturn over coming quarters. However, the most recent data and some of the anecdotal reports from around the country had a better tone. Among the positive factors in the economic outlook, members gave particular emphasis to the favorable financial climate, including the stimulative effects of lower interest rates on interest-sensitive sectors of the economy, the ready availability of financing from market sources and banking institutions, and the impact of rising equity and bond prices on balance sheets. Business and consumer sentiment also remained generally favorable, though anecdotal reports suggested a heightened degree of caution among business contacts in many parts of the nation. Members observed that the expansion did not appear to have produced overall imbalances in the economy aside from an apparent overhang of inventories in some industries. The ongoing adjustments needed to bring these inventories down to desired levels were seen as the most serious threat to the expansion. Some members commented that the inventory correction in the second quarter appeared on the basis of the available evidence to be less than was expected earlier and that the period of inventory adjustment might therefore be more extended in time than they had anticipated. While such a development might not in itself be sufficient to tilt the economy into recession, in the possible context of relatively sluggish growth in final demands, the economy would be vulnerable to adverse domestic or external shocks. On balance, while the timing remained uncertain, a resumption of growth at a moderate rate was viewed as a likely prospect, given the underlying strength of the economy.

In their review of prospective developments in key sectors of the economy, members noted that consumer expenditures had fallen short of earlier expectations, but signs of some firming were visible, notably the indications of an improvement in sales of motor vehicles since early spring. While a continued sluggish performance of the consumer sector could not be ruled out, the members generally expected a resumption of moderate growth in consumer spending. The upturn undoubtedly would be limited to some extent by the apparent exhaustion of much of the earlier pent-up demands and perhaps by concerns about job prospects and incomes, but the effects of reduced interest rates on borrowers and the wealth effects from gains in values of financial assets should help to sustain moderate growth. Moreover, if the strengthening in housing activity materialized as projected, sales of consumer durables would be favorably affected. While consumer confidence had declined earlier, recent surveys indicated that confidence had stabilized or even edged up more recently and was in any event at relatively high levels in most parts of the country.

Business fixed investment appeared to have moderated since earlier in the year, though expenditures for both producer durable equipment and nonresidential structures were still registering strong gains. Further moderation was anticipated over the course of coming quarters in association with slower growth in business sales and decreased pressures on producer resources. While some concern was expressed about the vulnerability of capital spending to a downturn in the growth of sales, the members generally expected this sector of the economy to remain a positive factor in the expansion. The ready availability of financing on favorable terms and the ongoing need to modernize equipment and other producer resources for competitive reasons, notably to take advantage of continuing improvements in computer and other technologies, should foster continued overall growth in business investment. Members also noted that the strength in business profits, though likely to moderate cyclically at some point, remained a favorable factor undergirding business capital spending.

Housing activity had stagnated in recent months, but this sector of the economy also was expected to provide some stimulus to the expansion as homebuyers responded to reduced mortgage rates. Although the latest available data indicated that housing starts were still relatively depressed, home sales and mortgage loan applications for home purchases had strengthened recently. With some exceptions, building industry contacts in local areas tended to confirm broader indications that improvement in housing activity was occurring. Members also noted that rising occupancy levels and rents should support fairly robust construction of multifamily housing in many areas.

With regard to the outlook for fiscal policy, members gave considerable emphasis to recent developments in the Congress that suggested there could be greater deficit reduction over the years ahead than had been built into many forecasts. The direct effects of deficit cutbacks would tend to hold down the growth in final demand and act as a restraining influence on overall economic activity over the projection horizon. But those cutbacks also would have favorable effects on financial markets, thereby stimulating to an extent offsetting increases in spending. Over the longer run, deficit reduction should enhance the performance and growth of the economy, though monetary policymakers would need to carefully monitor possible transition effects.

A considerable downside risk in the view of many members was the outlook for exports. Economic activity in the major foreign industrial nations had been more sluggish than anticipated during the first half of the year, and this raised questions about the strength of the expansion in those countries and the related prospects for faster growth in U.S. exports. Most of the major economies in Latin America also were projected to strengthen, and indeed such expectations were reflected in financial markets, but substantial problems remained that could undermine the favorable outlook. On the positive side, members observed that U.S. exports were now quite competitive in world markets, as evidenced by continuing gains in exports to numerous countries, and such a perception was reinforced by anecdotal reports of increasing foreign sales of a variety of products by firms around the country. On balance, some growth in exports remained a reasonable prospect but it might fall below current expectations.

The members generally agreed that the inflation risks in the economy had diminished, though some still saw the potential for little or no progress in unwinding the recent uptick in inflation. Many referred to indications of easing pressures on resources in recent months, and they generally felt that such pressures would be contained over the projection horizon if economic growth were to materialize in line with their forecasts. Developments seen as consistent with such an expectation included persisting anecdotal reports of highly competitive markets that made it very difficult for business firms to pass on cost increases or to raise profit margins. Moreover, despite continuing reports of labor scarcities in some areas and industries, increases in nominal labor costs generally had remained subdued across the nation. Prices of many raw materials and semifinished goods had increased sharply in earlier months and these increases would continue to put upward pressure on the prices of finished goods, but there recently had been signs of some abatement of inflation at the earlier stages of production. Similarly, earlier declines in the foreign exchange value of the dollar were placing upward pressure on the prices of many imported products, but the recent stability of the dollar promised a diminution of such pressure over time. On balance, most of the members believed that the underlying trend of inflation was now tilted toward gradual deceleration in the context of marginally higher rates of unemployed labor and other resources, but they acknowledged that the risks to such an outcome remained substantial.

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 1995, and it decided on tentative ranges for growth in those aggregates in 1996. The current ranges set in February for the period from the fourth quarter of 1994 to the fourth quarter of 1995 included expansion of 1 to 5 percent for M2 and 0 to 4 percent for M3. A monitoring range for growth of total domestic nonfinancial debt had been set at 3 to 7 percent for 1995.

In the Committee's discussion, the members took account of the accelerated rates of M2 and M3 growth since early spring that, for the year to date, had lifted the expansion of M2 to the upper half of the Committee's range and the expansion of M3 further above its range. According to a staff projection, the growth of both aggregates was likely to moderate over the balance of the year, assuming an unchanged monetary policy, as rates paid on various components of the aggregates were adjusted more fully to the reductions in market interest rates that had occurred since early in the year. Even so, the projected growth of the broad aggregates would remain well above that experienced over the last several years. These developments implied velocity behavior for these aggregates that was more in line with historical patterns after several years of pronounced and atypical velocity increases. The members noted that financial innovations, technical changes, and deregulation had obscured historical distinctions among various financial instruments and had affected the extent to which holders might shift funds into or out of components of the monetary aggregates in response to changing interest rate patterns. As a result, substantial uncertainty remained about projections of money growth and the future relationships of money and debt to the basic objectives of monetary policy. Against this background, members expressed somewhat differing views regarding appropriate ranges for the growth of M2 and M3 in 1995 and 1996.

With regard to M2, a majority of the members favored or could accept a proposal to maintain the existing 1 to 5 percent range for both years. These members noted that M2 growth was projected to remain within the current range, though in the upper half in 1995 and at the top in 1996. While recognizing that expansion at a rate above that range could not be ruled out, especially for 1996, they suggested that an increase in the range, at a time when substantial uncertainties continued to surround the relationship of M2 to broad measures of economic performance, would imply a degree of confidence regarding the relationship that the Committee did not possess at this point. Moreover, if the more normal behavior of velocity over the past several quarters were to continue, a 1 to 5 percent range for growth of M2 likely would prove consistent with the Committee's ultimate objectives of sustained economic expansion and reasonable price stability. There was concern that an increase in the M2 range could foster a misreading of the Committee's intentions, especially if some easing in policy were to be approved during this meeting, explanations of the technical reasons notwithstanding.

Members preferring a somewhat higher M2 range emphasized that expectations for growth of this aggregate in 1995 and 1996 were around the upper end of the current range. In their view, under the Federal Reserve Act, the Committee's target ranges—and normally their midpoints—should be consistent with the Committee's expectations for growth in nominal GDP and money. From this perspective, a higher M2 range was clearly defensible and the reasons for it easily communicated. Indeed, a failure to adjust the range upward could be interpreted by observers as indicating an intent to tighten policy should M2 growth remain high in relation to its current range.

With regard to M3, all the members indicated that they preferred or could accept an increase in its range to 2 to 6 percent for both years. The current 0 to 4 percent range was quite low in relation to the range for M2, judging by the average historical growth of this aggregate relative to that of M2. The range had been adopted in the light of unusual developments that had depressed M3 growth over much of the 1990s. Those developments, which also had served to curb M2 growth though to a lesser extent, involved a reduced role of banking institutions in the intermediation of flows of funds between savers and borrowers. That reduced role had been induced to a large degree by balance sheet adjustments undertaken in response to extraordinary strains experienced by banks and thrifts. Against the background of favorable economic developments, the financial health of depository institutions had improved markedly over the past few years, and the increased ability and willingness of these institutions to serve as financial intermediaries appeared to be working toward strengthening the growth of M3 and lowering its velocity. In the circumstances, the members believed that the contemplated increase in the M3 range was essentially a technical response to developments that were tending to restore both traditional financing patterns and the historical pattern of somewhat faster growth in M3 than in M2. In this respect, the increase in the M3 range did not have any implications for the underlying thrust of monetary policy, though the higher range could prove to be more consistent over time with sustainable and noninflationary economic growth. As in the case of the current M2 range, that conclusion assumed the eventual restoration of historic relationships between M3 and measures of overall economic performance.

The Committee was unanimous in its view that the current monitoring range for the growth of total domestic nonfinancial debt should be retained for 1995 and extended to 1996. This view took into account staff projections indicating that the debt aggregate was likely to grow at rates well within its 3 to 7 percent range—indeed, not far from the midpoint—in both years.

At the conclusion of this discussion, the Committee voted to reaffirm the range of 1 to 5 percent for growth of M2 in 1995 and to set the same range on a tentative basis for 1996:

Votes for this action: Messrs. Greenspan, McDonough, Hoenig, Kelley, Lindsey, Melzer, Ms. Minehan, Mr. Moskow, and Ms. Phillips. Votes against this action: Mr. Blinder and Ms. Yellen.

Mr. Blinder and Ms. Yellen dissented on a technical judgment, not a policy difference. They noted that if growth in the demand for M2 were close to historic norms in 1995 or 1996, as indeed it had been for some time, then the Committee members' projections for nominal GDP would likely imply M2 growth near the top of, or even above, the current range. While the relationship between the growth of M2 and that of nominal GDP remained subject to a great deal of uncertainty, they were persuaded that the range—in fact, the midpoint of the range—should normally be consistent with members' forecasts of nominal GDP growth. This would be truer to the spirit of the aggregates targeting provision in the Federal Reserve Act. From this perspective, they viewed a higher M2 range for 1995 and 1996 as clearly preferable in communicating the Committee's objectives for the economy and its expectations for money growth.

The Committee then voted to raise the range for growth of M3 to 2 to 6 percent for 1995 and to extend that higher range provisionally to 1996:

Votes for this action: Messrs. Greenspan, McDonough, Blinder, Hoenig, Kelley, Lindsey, Melzer, Ms. Minehan, Mr. Moskow, and Mses. Phillips and Yellen. Votes against this action: None.

The Committee voted to retain the 3 to 7 percent monitoring range for growth of total domestic nonfinancial debt for 1995 and to extend that range on a tentative basis to 1996:

Votes for this action: Messrs. Greenspan, McDonough, Blinder, Hoenig, Kelley, Lindsey, Melzer, Ms. Minehan, Mr. Moskow, and Mses. Phillips and Yellen. Votes against this action: None.

These votes constituted approval of the following paragraph for the directive that would be issued at the end of the meeting:

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee reaffirmed at this meeting the range it had established on January 31–February 1 for growth of M2 of 1 to 5 percent, measured from the fourth quarter of 1994 to the fourth quarter of 1995. The Committee also retained the monitoring range of 3 to 7 percent for the year that it had set for growth of total domestic nonfinancial debt. The Committee raised the 1995 range for M3 to 2 to 6 percent as a technical adjustment to take account of changing intermediation patterns. For 1996, the Committee established on a tentative basis the same ranges as in 1995 for growth of the monetary aggregates and debt, measured from the fourth quarter of 1995 to the fourth quarter of 1996. 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 course of the Committee's discussion of its monetary growth ranges, members commented on the failure of the monetary aggregates to provide a reliable nominal anchor for the conduct of monetary policy in recent years. Moreover, the restoration of historic relationships, or the emergence of new but stable relationships, between money growth and measures of progress toward broad economic objectives could not be predicted with any degree of confidence. Some members expressed the view that in these circumstances the Committee needed to continue to look at potential alternative approaches to guide the formulation of policy and to communicate its intentions to the public, especially with respect to the Committee's objective of promoting price stability over time.

In the Committee's discussion of policy for the intermeeting period ahead, nearly all the members indicated that they favored or could support a proposal to ease slightly the current degree of pressure on reserve positions. Preferences for an unchanged policy stance and for somewhat greater easing also were expressed. In support of at least slight easing, members commented that they viewed current monetary policy as somewhat restrictive, judged in part by the level of the inflation-adjusted federal funds rate. This degree of monetary restraint had been appropriate early in the year when the economy was operating at or possibly beyond its long-run potential and inflation pressures appeared to be mounting. Some modest easing was desirable now that the growth of the economy had slowed considerably more than anticipated and potential inflationary pressures seemed to be in the process of receding. Although inflation was higher than in 1994 and the economy was still operating at an elevated level, looking forward many members saw prospects for declining inflation and the possibility of shortfalls in economic growth. The members agreed that under present economic conditions a slight easing of the stance of policy would incur little risk of stimulating increased inflation and would be entirely consistent with their commitment to continued progress toward price stability over time. Several members also observed that any move toward less restraint should be cautious at this point because easing would represent a change in the direction of policy and its repercussions on financial markets, including the foreign exchange markets, could be relatively pronounced.

A few members preferred somewhat greater easing. They stressed that such a move was warranted by the recent pause in the expansion and the apparent vulnerability of the economy to a variety of downside risks. Indeed, a move from what they saw as a restrictive monetary policy toward a more neutral policy stance was somewhat overdue in their view. While they could support a slight adjustment to policy at this point, these members were persuaded that the stance of monetary policy probably would need to be eased by more than a slight amount over time to accommodate the intermediate- and long-term needs of an expanding economy. Moreover, the risks of increasing inflationary pressures appeared to be relatively remote in the context of the current and anticipated performance of the overall economy. The declines in intermediate- and long-term interest rates were helping to support the expansion, but those declines rested in part on market expectations of significant monetary policy easing; failure to ratify such expectations could well result in at least a partial reversal of those desirably lower rates.

Members who leaned toward an unchanged policy remained concerned about the persistence of inflationary pressures and whether a somewhat easier policy stance would be consistent with the objective of capping inflation and setting the stage for further progress toward price stability. The available evidence on the economy's current performance remained mixed, and most forecasts pointed to moderate strengthening ahead; in the circumstances an easing move did not appear to be needed at this time. One member emphasized that, while the risks of greater inflation seemed small, the costs of a policy error in the direction of too much easing would be high in terms of its effects on the credibility of the System's anti-inflationary policy and the need to rein in inflationary growth next year. Although their preference would be to wait for further evidence on the performance of the economy, all but one of these members indicated that, given the current uncertainties surrounding the economic outlook and the small amount of easing that was proposed, they would not dissent from the majority position.

With regard to possible adjustments to policy during the intermeeting period, most of the members who favored some easing also preferred an asymmetric directive, including a marked preference on the part of those who supported greater easing than the majority. An asymmetric directive was consistent with the view shared by most members that the risks to the expansion were biased to the downside, but no member expressed a strong presumption about the likely need to ease policy during the weeks ahead. The Committee would, of course, monitor and respond as needed to the incoming economic information.

At the conclusion of the Committee's discussion, all but one of the members indicated that they favored or could support a directive that called for some slight easing in the degree of pressure on reserve positions and that included a bias toward possible further easing of reserve conditions during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that slightly greater monetary restraint might be acceptable or slightly lesser monetary restraint would be acceptable during the intermeeting period. According to a staff analysis, the reserve conditions contemplated at this meeting would be consistent with moderate growth in M2 and M3 over coming months.

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

> The information reviewed at this meeting suggests that the level of economic activity was about unchanged in the second quarter. Nonfarm payroll employment fell in April and May after posting reduced gains in the first quarter, and the civilian unemployment rate, at 5.7 percent in May, was up somewhat from its first-quarter average. Industrial production continued to decline in

May, reflecting another cutback in the production of motor vehicles, and capacity utilization was down somewhat further. Total retail sales have been sluggish on average in recent months. Housing starts were about unchanged over April and May, but sales of new homes turned up sharply in May. Orders for nondefense capital goods have moderated somewhat in recent months but still point to considerable further expansion of spending on business equipment; nonresidential construction has continued to trend appreciably higher. The nominal deficit on U.S. trade in goods and services widened in April from its average rate in the first quarter. Broad indexes of consumer and producer prices have increased faster on average thus far this year, though there were signs of some moderation in the most recent data; advances in labor compensation costs have remained subdued.

Most interest rates have declined somewhat further since the Committee meeting on May 23. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies declined considerably over the intermeeting period.

M2 and M3 strengthened substantially in May and June. For the year through June, M2 expanded at a rate in the upper half of its range for 1995 and M3 grew at a rate well above its range. Total domestic nonfinancial debt has grown at a rate in the upper half of its monitoring range in recent months.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee reaffirmed at this meeting the range it had established on January 31–February 1 for growth of M2 of 1 to 5 percent, measured from the fourth quarter of 1994 to the fourth quarter of 1995. The Committee also retained the monitoring range of 3 to 7 percent for the year that it had set for growth of total domestic nonfinancial debt. The Committee raised the 1995 range for M3 to 2 to 6 percent as a technical adjustment to take account of changing intermediation patterns. For 1996, the Committee established on a tentative basis the same ranges as in 1995 for growth of the monetary aggregates and debt, measured from the fourth quarter of 1995 to the fourth quarter of 1996. 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 decrease slightly the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint might or slightly lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with moderate growth in M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Blinder, Kelley, Lindsey, Melzer, Ms. Minehan, Mr. Moskow, and Mses. Phillips and Yellen. Vote against this action: Mr. Hoenig.

Mr. Hoenig dissented because he believed the stance of monetary policy should remain unchanged at this time. With the pace of economic activity likely to return to trend growth later this year and inflation expected to be higher this year and next than in 1994, he felt an unchanged policy in the near term would enhance the prospects of achieving the Committee's long-run objectives of sustainable economic growth and price stability.

It was agreed that the next meeting of the Committee would be held on Tuesday, August 22, 1995.

The meeting adjourned at 12:20 p.m.

Donald L. Kohn
Secretary

Legal Developments

JOINT FINAL RULE—AMENDMENTS TO RISK-BASED CAPITAL STANDARDS: DERIVATIVE TRANSACTIONS

The Office of the Comptroller of the Currency ("OCC"), Department of the Treasury; Board of Governors of the Federal Reserve System ("Board"); and Federal Deposit Insurance Corporation ("FDIC") (collectively, "the banking agencies") are amending their respective risk-based capital standards for banks and bank holding companies (banking organizations, institutions). This final rule implements a recent revision to the Basle Accord revising and expanding the set of conversion factors used to calculate the potential future exposure of derivative contracts and recognizing the effects of netting arrangements in the calculation of potential future exposure for derivative contracts subject to qualifying bilateral netting arrangements. The effect of this final rule is threefold. First, long-dated interest rate and exchange rate contracts are subject to higher conversion factors and new conversion factors are set forth that specifically apply to derivative contracts related to equities, precious metals, and other commodities. Second, institutions are permitted to recognize a reduction in potential future credit exposure for transactions subject to qualifying bilateral netting arrangements. Third, derivative contracts related to equities, precious metals and other commodities may be recognized in bilateral netting arrangements for risk-based capital purposes.

Effective October 1, 1995, 12 C.F.R. Parts 3, 208, 225, and 325 are amended as follows:

Part 3—Minimum Capital Ratios; Issuance of Directives

1. The authority citation for Part 3 continues to read as follows:

Authority: 12 U.S.C. 93a, 161, 1818, 1828(n), 1828 note, 1831n note, 1835, 3907, and 3909.

2. In Appendix A, to part 3, section 1 is revised by redesignating paragraphs (c)(10) through (c)(30) as paragraphs (c)(11) through (c)(31) and adding new paragraph (c)(10) to read as follows:

APPENDIX A TO PART 3—RISK-BASED CAPITAL GUIDELINES

Section 1.—Purpose, Applicability of Guidelines, and Definitions.

* * * * *

(c) * * *

(10) *Derivative contract* means generally a financial contract whose value is derived from the values of one or more underlying assets, reference rates or indexes of asset values. Derivative contracts include interest rate, foreign exchange rate, equity, precious metals and commodity contracts, or any other instrument that poses similar credit risks.

* * * * *

3. In Appendix A, to part 3, section 3 is amended:

a. By revising (a)(1)(viii);
b. In paragraph (a)(3)(ii) by removing the words "interest rate and exchange rate contracts," and adding in their place the words "derivative contracts,"; and
c. In paragraph (b) by revising the introductory text and paragraph (b)(5).

The revisions read as follows:

* * * * *

Section 3.—Risk Categories/Weights for On-Balance Sheet Assets and Off-Balance Sheet Items.

* * * * *

(a) * * *

(1) * * *

(viii) That portion of assets and off-balance sheet transactions[9a] collateralized by cash or securities issued or directly and unconditionally guaranteed by the United States Government or its agencies, or

9a. See footnote 22 in section 3(b)(5)(iii) of this Appendix A (collateral held against derivative contracts).

the central government of an OECD country, provided that:[9b]

* * * * *

(b) *Off-Balance Sheet Activities.* The risk weight assigned to an off-balance sheet item is determined by a two-step process. First, the face amount of the off-balance sheet item is multiplied by the appropriate credit conversion factor specified in this section. This calculation translates the face amount of an off-balance sheet item into an on-balance sheet credit equivalent amount. Second, the resulting credit equivalent amount is then assigned to the proper risk category using the criteria regarding obligors, guarantors, and collateral listed in section 3(a) of this Appendix A. Collateral and guarantees are applied to the face amount of an off-balance sheet item; however, with respect to derivative contracts under section 3(b)(5) of this Appendix A, collateral and guarantees are applied to the credit equivalent amounts of such derivative contracts. The following are the credit conversion factors and the off-balance sheet items to which they apply.

* * * * *

(5) *Derivative contracts.* (i) *Calculation of credit equivalent amounts.* The credit equivalent amount of a derivative contract equals the sum of the current credit exposure and the potential future credit exposure of the derivative contract. The calculation of credit equivalent amounts must be measured in U.S. dollars, regardless of the currency or currencies specified in the derivative contract.

(A) *Current credit exposure.* The current credit exposure for a single derivative contract is determined by the mark-to-market value of the derivative contract. If the mark-to-market value is positive, then the current credit exposure equals that mark-to-market value. If the mark-to-market is zero or negative, then the current credit exposure is zero. The current credit exposure for multiple derivative contracts executed with a single counterparty and subject to a qualifying bilateral netting contract is determined as provided by section 3(b)(5)(ii)(A) of this Appendix A.

(B) *Potential future credit exposure.* The potential future credit exposure for a single derivative contract, including a derivative contract with negative mark-to-market value, is calculated by multiplying the notional principal[19] of the derivative contract by one of the credit conversion factors in Table A—Conversion Factor Matrix of this Appendix A, for the appropriate category.[20] The potential future credit exposure for gold contracts shall be calculated using the foreign exchange rate conversion factors. For any derivative contract that does not fall within one of the specified categories in Table A—Conversion Factor Matrix of this Appendix A, the potential future credit exposure shall be calculated using the other commodity conversion factors. Subject to examiner review, banks should use the effective rather than the apparent or stated notional amount in calculating the potential future credit exposure. The potential future credit exposure for multiple derivatives contracts executed with a single counterparty and subject to a qualifying bilateral netting contract is determined as provided by section 3(b)(5)(ii)(A) of this Appendix A.

Table A—Conversion Factor Matrix[1]
Percent

Remaining maturity[2]	Interest rate	Foreign exchange rate and gold	Equity[2]	Precious metals	Other commodity
One year or less	0.0	1.0	6.0	7.0	10.0
Over one to five years	0.5	5.0	8.0	7.0	12.0
Over five years	1.5	7.5	10.0	8.0	15.0

1. For derivative contracts with multiple exchanges of principal, the conversion factors are multiplied by the number of remaining payments in the derivative contact.

2. For derivative contracts that automatically reset to zero value following a payment, the remaining maturity equals the time until the next payment. However, interest rate contracts with remaining maturities of greater than one year shall be subject to a minimum conversion factor of 0.5 percent.

9b. Assets and off-balance sheet transactions collateralized by securities issued or guaranteed by the United States Government or its agencies, or the central government of an OECD country include, but are not limited to, securities lending transactions, repurchase agreements, collateralized letters of credit, such as reinsurance letters of credit, and other similar financial guarantees. Swaps, forwards, futures, and options transactions are also eligible, if they meet the collateral requirements. However, the OCC may at its discretion require that certain collateralized transactions be risk weighted at 20 percent if they involve more than a minimal risk.

19. For purposes of calculating either the potential future credit exposure under section 3(b)(5)(i)(B) of this Appendix A or the gross potential future credit exposure under section 3(b)(5)(ii)(A)(2) of this Appendix A for foreign exchange contracts and other similar contracts in which the notional principal is equivalent to the cash flows, total notional principal is the net receipts to each party falling due on each value date in each currency.

20. No potential future credit exposure is calculated for single currency interest rate swaps in which payments are made based upon two floating indices, so-called floating/floating or basis swaps; the credit equivalent amount is measured solely on the basis of the current credit exposure.

(ii) *Derivative contracts subject to a qualifying bilateral netting contract.*

(A) *Netting calculation.* The credit equivalent amount for multiple derivative contracts executed with a single counterparty and subject to a qualifying bilateral netting contract as provided by section (3)(b)(5)(ii)(B) of this Appendix A is calculated by adding the net current credit exposure and the adjusted sum of the potential future credit exposure for all derivative contracts subject to the qualifying bilateral netting contract.

(*1*) *Net current credit exposure.* The net current credit exposure is the net sum of all positive and negative mark-to-market values of the individual derivative contracts subject to a qualifying bilateral netting contract. If the net sum of the mark-to-market value is positive, then the net current credit exposure equals that net sum of the mark-to-market value. If the net sum of the mark-to-market value is zero or negative, then the net current credit exposure is zero.

(*2*) *Adjusted sum of the potential future credit exposure.* The adjusted sum of the potential future credit exposure is calculated as:

$$A_{net} = 0.4 \times A_{gross} + (0.6 \times NGR \times A_{gross})$$

A_{net} is the adjusted sum of the potential future credit exposure, A_{gross} is the gross potential future credit exposure, and NGR is the net to gross ratio. A_{gross} is the sum of the potential future credit exposure (as determined under section 3(b)(5)(i)(B) of this Appendix A) for each individual derivative contract subject to the qualifying bilateral netting contract. The NGR is the ratio of the net current credit exposure to the gross current credit exposure. In calculating the NGR, the gross current credit exposure equals the sum of the positive current credit exposures (as determined under section 3(b)(5)(i)(A) of this Appendix A) of all individual derivative contracts subject to the qualifying bilateral netting contract.

(B) *Qualifying bilateral netting contract.* In determining the current credit exposure for multiple derivative contracts executed with a single counterparty, a bank may net derivative contracts subject to a qualifying bilateral netting contract by offsetting positive and negative mark-to-market values, provided that:

(*1*) The qualifying bilateral netting contract is in writing.

(*2*) The qualifying bilateral netting contract is not subject to a walkaway clause.

(*3*) The qualifying bilateral netting contract creates a single legal obligation for all individual derivative contracts covered by the qualifying bilateral netting contract. In effect, the qualifying bilateral netting contract must provide that the bank would have a single claim or obligation either to receive or to pay only the net amount of the sum of the positive and negative mark-to-market values on the individual derivative contracts covered by the qualifying bilateral netting contract. The single legal obligation for the net amount is operative in the event that a counterparty, or a counterparty to whom the qualifying bilateral netting contract has been assigned, fails to perform due to any of the following events: default, insolvency, bankruptcy, or other similar circumstances.

(*4*) The bank obtains a written and reasoned legal opinion(s) that represents, with a high degree of certainty, that in the event of a legal challenge, including one resulting from default, insolvency, bankruptcy, or similar circumstances, the relevant court and administrative authorities would find the bank's exposure to be the net amount under:

(*i*) The law of the jurisdiction in which the counterparty is chartered or the equivalent location in the case of noncorporate entities, and if a branch of the counterparty is involved, then also under the law of the jurisdiction in which the branch is located;

(*ii*) The law of the jurisdiction that governs the individual derivative contracts covered by the bilateral netting contract; and

(*iii*) The law of the jurisdiction that governs the qualifying bilateral netting contract.

(*5*) The bank establishes and maintains procedures to monitor possible changes in relevant law and to ensure that the qualifying bilateral netting contract continues to satisfy the requirement of this section.

(*6*) The bank maintains in its files documentation adequate to support the netting of a derivative contract.[21]

21. By netting individual derivative contracts for the purpose of calculating its credit equivalent amount, a bank represents that documentation adequate to support the netting of a set of derivative contract is in the bank's files and available for inspection by the OCC. Upon determination by the OCC that a bank's files are inadequate or that a qualifying bilateral netting contract may not be legally enforceable in any one of the bodies of law described in section 3(b)(5)(ii)(B)(*3*)(*i*) through (*iii*) of this Appendix A, the underlying derivative contracts may not be netted for the purposes of this section.

(iii) *Risk weighting*. Once the bank determines the credit equivalent amount for a derivative contract or a set of derivative contracts subject to a qualifying bilateral netting contract, the bank assigns that amount to the risk weight category appropriate to the counterparty, or, if relevant, the nature of any collateral or guarantee.[22] However, the maximum weight that will be applied to the credit equivalent amount of such derivative contract(s) is 50 percent.
(iv) *Exceptions*. The following derivative contracts are not subject to the above calculation, and therefore, are not part of the denominator of a national bank's risk-based capital ratio:

(A) An exchange rate contract with an original maturity of 14 calendar days or less;[23] and
(B) A derivative contract that is traded on an exchange requiring the daily payment of any variations in the market value of the contract.

* * * * *

4. Table 3, at the end of Appendix A, is revised to read as follows:

* * * * *

Table 3—Treatment of Derivative Contracts

1. The current exposure method is used to calculate the credit equivalent amounts of derivative contracts. These amounts are assigned a risk weight appropriate to the obligor or any collateral or guarantee. However, the maximum risk weight is limited to 50 percent. Multiple derivative contracts with a single counterparty may be netted if those contracts are subject to a qualifying bilateral netting contract.

Conversion Factor Matrix[1]
Percent

Remaining maturity[2]	Interest rate	Foreign exchange rate and gold	Equity[2]	Precious metals	Other commodity
One year or less	0.0	1.0	6.0	7.0	10.0
Over one to five years	0.5	5.0	8.0	7.0	12.0
Over five years	1.5	7.5	10.0	8.0	15.0

1. For derivative contracts with multiple exchanges of principal, the conversion factors are multiplied by the number of remaining payments in the derivative contact.

2. For derivative contracts that automatically reset to zero value following a payment, the remaining maturity equals the time until the next payment. However, interest rate contracts with remaining maturities of greater than one year shall be subject to a minimum conversion factor of 0.5 percent.

2. The following derivative contracts will be excluded:

a. Exchange rate contract with an original maturity of 14 calendar days or less; and
b. Derivative contract traded on exchanges and subject to daily margin requirements.

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

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

Authority: 12 U.S.C. 36, 248(a), 248(c), 321–338a, 371d, 461, 481-486, 601, 611, 1814, 1823(j), 1828(o), 1831o, 1831p-1, 3105, 3310, 3331-3351, and 3906-3909; 15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1 and 78w; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b.

2. In part 208, Appendix A is amended by revising the last paragraph of section III.C.3. and footnote 40 in the introductory text of section III.D. to read as follows:

Appendix A to Part 208—Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure

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III. * * *
C. * * *
3. * * *

Credit equivalent amounts of derivative contracts involving standard risk obligors (that is, obligors whose loans or debt securities would be assigned to the 100 percent risk category) are included in the 50 percent category, unless they

22. Derivative contracts are an exception to the general rule of applying collateral and guarantees to the face value of off-balance sheet items. The sufficiency of collateral and guarantees is determined on the basis of the credit equivalent amount of derivative contracts. However, collateral and guarantees held against a qualifying bilateral netting contract is not recognized for capital purposes unless it is legally available for all contracts included in the qualifying bilateral netting contract.

23. Notwithstanding section 3(b)(5)(B) of this Appendix A, gold contracts do not qualify for this exception.

are backed by collateral or guarantees that allow them to be placed in a lower risk category.

* * * * *

D. * * * [40] * * *

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3. In Part 208, Appendix A is amended by revising the section III.E. heading and section III.E. to read as follows:

* * * * *

III. * * *

E. *Derivative Contracts (Interest Rate, Exchange Rate, Commodity-(including precious metals) and Equity-Linked Contracts)*

1. *Scope.* Credit equivalent amounts are computed for each of the following off-balance-sheet derivative contracts:

a. *Interest Rate Contracts.* These include single currency interest rate swaps, basis swaps, forward rate agreements, interest rate options purchased (including caps, collars, and floors purchased), and any other instrument linked to interest rates that gives rise to similar credit risks (including when-issued securities and forward forward deposits accepted).

b. *Exchange Rate Contracts.* These include cross-currency interest rate swaps, forward foreign exchange contracts, currency options purchased, and any other instrument linked to exchange rates that gives rise to similar credit risks.

c. *Equity Derivative Contracts.* These include equity-linked swaps, equity-linked options purchased, forward equity-linked contracts, and any other instrument linked to equities that gives rise to similar credit risks.

d. *Commodity (including precious metal) Derivative Contracts.* These include commodity-linked swaps, commodity-linked options purchased, forward commodity-linked contracts, and any other instrument linked to commodities that gives rise to similar credit risks.

e. *Exceptions.* Exchange rate contracts with an original maturity of fourteen or fewer calendar days and derivative contracts traded on exchanges that require daily receipt and payment of cash variation margin may be excluded from the risk-based ratio calculation.

40. The sufficiency of collateral and guarantees for off-balance-sheet items is determined by the market value of the collateral or the amount of the guarantee in relation to the face amount of the item, except for derivative contracts, for which this determination is generally made in relation to the credit equivalent amount. Collateral and guarantees are subject to the same provisions noted under section III.B. of this Appendix A.

Gold contracts are accorded the same treatment as exchange rate contracts except that gold contracts with an original maturity of fourteen or fewer calendar days are included in the risk-based ratio calculation. Over-the-counter options purchased are included and treated in the same way as other derivative contracts.

2. *Calculation of credit equivalent amounts.*

a. The credit equivalent amount of a derivative contract that is not subject to a qualifying bilateral netting contract in accordance with section III.E.3. of this Appendix A is equal to the sum of:

(i) the current exposure (sometimes referred to as the replacement cost) of the contract; and

(ii) an estimate of the potential future credit exposure of the contract.

b. The current exposure is determined by the mark-to-market value of the contract. If the mark-to-market value is positive, then the current exposure is equal to that mark-to-market value. If the mark-to-market value is zero or negative, then the current exposure is zero. Mark-to-market values are measured in dollars, regardless of the currency or currencies specified in the contract, and should reflect changes in underlying rates, prices, and indices, as well as counterparty credit quality.

c. The potential future credit exposure of a contract, including a contract with a negative mark-to-market value, is estimated by multiplying the notional principal amount of the contract by a credit conversion factor. Banks should use, subject to examiner review, the effective rather than the apparent or stated notional amount in this calculation. The credit conversion factors are:

Conversion Factors
Percent

Remaining maturity	Interest rate	Exchange rate and gold	Equity	Commodity, excluding precious metals	Precious metals, except gold
One year or less	0.0	1.0	6.0	10.0	7.0
Over one to five years	0.5	5.0	8.0	12.0	7.0
Over five years	1.5	7.5	10.0	15.0	8.0

d. For a contract that is structured such that on specified dates any outstanding exposure is settled and the terms are reset so that the market value of the contract is zero, the remaining maturity is equal to the time until the next reset date. For an interest rate contract with a remaining maturity of more than one year that meets these criteria, the minimum conversion factor is 0.5 percent.

e. For a contract with multiple exchanges of principal, the conversion factor is multiplied by the number of remaining payments in the contract. A derivative contract not included in the definitions of interest rate, exchange rate, equity, or commodity contracts as set forth in section III.E.1. of this Appendix A, is subject to the same conversion factors as a commodity, excluding precious metals.

f. No potential future exposure is calculated for a single currency interest rate swap in which payments are made based upon two floating rate indices (a so called floating/floating or basis swap); the credit exposure on such a contract is evaluated solely on the basis of the mark-to-market value.

g. The Board notes that the conversion factors set forth above, which are based on observed volatilities of the particular types of instruments, are subject to review and modification in light of changing volatilities or market conditions.

3. *Netting*. a. For purposes of this Appendix A, netting refers to the offsetting of positive and negative mark-to-market values when determining a current exposure to be used in the calculation of a credit equivalent amount. Any legally enforceable form of bilateral netting (that is, netting with a single counterparty) of derivative contracts is recognized for purposes of calculating the credit equivalent amount provided that:

i. The netting is accomplished under a written netting contract that creates a single legal obligation, covering all included individual contracts, with the effect that the bank would have a claim to receive, or obligation to pay, only the net amount of the sum of the positive and negative mark-to-market values on included individual contracts in the event that a counterparty, or a counterparty to whom the contract has been validly assigned, fails to perform due to any of the following events: default, insolvency, liquidation, or similar circumstances.

ii. The bank obtains a written and reasoned legal opinion(s) representing that in the event of a legal challenge—including one resulting from default, insolvency, liquidation, or similar circumstances—the relevant court and administrative authorities would find the bank's exposure to be the net amount under:

(*1*) The law of the jurisdiction in which the counterparty is chartered or the equivalent location in the case of noncorporate entities, and if a branch of the counterparty is involved, then also under the law of the jurisdiction in which the branch is located;

(*2*) The law that governs the individual contracts covered by the netting contract; and

(*3*) The law that governs the netting contract.

iii. The bank establishes and maintains procedures to ensure that the legal characteristics of netting contracts are kept under review in the light of possible changes in relevant law.

iv. The bank maintains in its files documentation adequate to support the netting of derivative contracts, including a copy of the bilateral netting contract and necessary legal opinions.

b. A contract containing a walkaway clause is not eligible for netting for purposes of calculating the credit equivalent amount.[49]

c. A bank netting individual contracts for the purpose of calculating credit equivalent amounts of derivative contracts, represents that it has met the requirements of this Appendix A and all the appropriate documents are in the bank's files and available for inspection by the Federal Reserve. The Federal Reserve may determine that a bank's files are inadequate or that a netting contract, or any of its underlying individual contracts, may not be legally enforceable under any one of the bodies of law described in section III.E.3.a.ii. of this Appendix A. If such a determination is made, the netting contract may be disqualified from recognition for risk-based capital purposes or underlying individual contracts may be treated as though they are not subject to the netting contract.

d. The credit equivalent amount of contracts that are subject to a qualifying bilateral netting contract is calculated by adding (i) the current exposure of the netting contract (net current exposure) and (ii) the sum of the estimates of potential future credit exposures on all individual contracts subject to the netting contract (gross potential future exposure) adjusted to reflect the effects of the netting contract.[50]

e. The net current exposure is the sum of all positive and negative mark-to-market values of the individual contracts included in the netting contract. If the net sum of the mark-to-market values is positive, then the net current exposure is equal to that sum. If the net sum of the mark-to-market values is zero or negative, then the net current exposure is zero. The Federal Reserve may determine that a netting contract qualifies for risk-based capital netting treatment even though certain individual contracts included under the netting contract may not qualify. In such instances, the nonqualifying contracts should be treated as individ-

49. A walkaway clause is a provision in a netting contract that permits a non-defaulting counterparty to make lower payments than it would make otherwise under the contract, or no payment at all, to a defaulter or to the estate of a defaulter, even if the defaulter or the estate of the defaulter is a net creditor under the contract.

50. For purposes of calculating potential future credit exposure to a netting counterparty for foreign exchange contracts and other similar contracts in which notional principal is equivalent to cash flows, total notional principal is defined as the net receipts falling due on each value date in each currency.

ual contracts that are not subject to the netting contract.

f. Gross potential future exposure, or A_{gross} is calculated by summing the estimates of potential future exposure (determined in accordance with section III.E.2 of this Appendix A) for each individual contract subject to the qualifying bilateral netting contract.

g. The effects of the bilateral netting contract on the gross potential future exposure are recognized through the application of a formula that results in an adjusted add-on amount A_{net}. The formula, which employs the ratio of net current exposure to gross current exposure (NGR) is expressed as:

$$A_{net} = (0.4 \times A_{gross}) + 0.6\,(NGR \times A_{gross})$$

h. The NGR may be calculated in accordance with either the counterparty-by-counterparty approach or the aggregate approach.

i. Under the counterparty-by-counterparty approach, the NGR is the ratio of the net current exposure for a netting contract to the gross current exposure of the netting contract. The gross current exposure is the sum of the current exposures of all individual contracts subject to the netting contract calculated in accordance with section III.E.2. of this Appendix A. Net negative mark-to-market values for individual netting contracts with the same counterparty may not be used to offset net positive mark-to-market values for other netting contracts with that counterparty.

ii. Under the aggregate approach, the NGR is the ratio of the sum of all of the net current exposures for qualifying bilateral netting contracts to the sum of all of the gross current exposures for those netting contracts (each gross current exposure is calculated in the same manner as in section III.E.3.h.i. of this Appendix A). Net negative mark-to-market values for individual counterparties may not be used to offset net positive mark-to-market values for other counterparties.

iii. A bank must consistently use either the counterparty-by-counterparty approach or the aggregate approach to calculate the NGR. Regardless of the approach used, the NGR should be applied individually to each qualifying bilateral netting contract to determine the adjusted add-on for that netting contract.

i. In the event a netting contract covers contracts that are normally excluded from the risk-based ratio calculation—for example, exchange rate contracts with an original maturity of fourteen or fewer calendar days or instruments traded on exchanges that require daily payment and receipt of cash variation margin—a bank may elect to either include or exclude all mark-to-market values of such contracts when determining net current exposure, provided the method chosen is applied consistently.

4. *Risk Weights.* Once the credit equivalent amount for a derivative contract, or a group of derivative contracts subject to a qualifying bilateral netting contract, has been determined, that amount is assigned to the risk category appropriate to the counterparty, or, if relevant, the guarantor or the nature of any collateral.[51] However, the maximum risk weight applicable to the credit equivalent amount of such contracts is 50 percent.

5. *Avoidance of double counting.* a. In certain cases, credit exposures arising from the derivative contracts covered by section III.E. of this Appendix A may already be reflected, in part, on the balance sheet. To avoid double counting such exposures in the assessment of capital adequacy and, perhaps, assigning inappropriate risk weights, counterparty credit exposures arising from the derivative instruments covered by these guidelines may need to be excluded from balance sheet assets in calculating a bank's risk-based capital ratios.

b. Examples of the calculation of credit equivalent amounts for contracts covered under this section III.E. are contained in Attachment V of this Appendix A.

* * * * *

4. In Appendix A to Part 208, Attachments IV and V are revised to read as follows:

* * * * *

Attachment IV—Credit Conversion Factors for Off-Balance-Sheet Items for State Member Banks

100 Percent Conversion Factor

1. Direct credit substitutes. (These include general guarantees of indebtedness and all guarantee-type instruments, including standby letters of credit backing the financial obligations of other parties.)
2. Risk participations in bankers acceptances and direct credit substitutes, such as standby letters of credit.
3. Sale and repurchase agreements and assets sold with recourse that are not included on the balance sheet.
4. Forward agreements to purchase assets, including financing facilities, on which drawdown is certain.
5. Securities lent for which the bank is at risk.

51. For derivative contracts, sufficiency of collateral or guarantees is generally determined by the market value of the collateral or the amount of the guarantee in relation to the credit equivalent amount. Collateral and guarantees are subject to the same provisions noted under section III.B. of this Appendix A.

50 Percent Conversion Factor

1. Transaction-related contingencies. (These include bid-bonds, performance bonds, warranties, and standby letters of credit backing the nonfinancial performance of other parties.)
2. Unused portions of commitments with an original maturity exceeding one year, including underwriting commitments and commercial credit lines.
3. Revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and similar arrangements.

20 Percent Conversion Factor

Short-term, self-liquidating trade-related contingencies, including commercial letters of credit.

Zero Percent Conversion Factor

Unused portions of commitments with an original maturity of one year or less, or which are unconditionally cancellable at any time, provided a separate credit decision is made before each drawing.

Credit Conversion for Derivative Contracts

1. The credit equivalent amount of a derivative contract is the sum of the current credit exposure of the contract and an estimate of potential future increases in credit exposure. The current exposure is the positive mark-to-market value of the contract (or zero if the mark-to-market value is zero or negative). For derivative contracts that are subject to a qualifying bilateral netting contract, the current exposure is, generally, the net sum of the positive and negative mark-to-market values of the contracts included in the netting contract (or zero if the net sum of the mark-to-market values is zero or negative). The potential future exposure is calculated by multiplying the effective notional amount of a contract by one of the following credit conversion factors, as appropriate:

Conversion Factors
Percent

Remaining maturity	Interest rate	Exchange rate and gold	Equity	Commodity, excluding precious metals	Precious metals, except gold
One year or less	0.0	1.0	6.0	10.0	7.0
Over one to five years	0.5	5.0	8.0	12.0	7.0
Over five years	1.5	7.5	10.0	15.0	8.0

For contracts subject to a qualifying bilateral netting contract, the potential future exposure is, generally, the sum of the individual potential future exposures for each contract included under the netting contract adjusted by the application of the following formula:

$$A_{net} = (0.4 \times A_{gross}) + 0.6\,(NGR \times A_{gross})$$

NGR is the ratio of net current exposure to gross current exposure.
2. No potential future exposure is calculated for single currency interest rate swaps in which payments are made based upon two floating indices, that is, so called floating/floating or basis swaps. The credit exposure on these contracts is evaluated solely on the basis of their mark-to-market value. Exchange rate contracts with an original maturity of fourteen days or fewer are excluded. Instruments traded on exchanges that require daily receipt and payment of cash variation margin are also excluded. (*See* upper portion of Attachment V.)
a. If contracts (1) through (5) above are subject to a qualifying bilateral netting contract, then the following applies: (*see* lower portion Attachment V.)
b. To recognize the effects of bilateral netting on potential future exposure the following formula applies:

$$A_{net} = (0.4 \times A_{gross}) + 0.6\,(NGR \times A_{gross})$$

c. In the above example where the net current exposure is zero, the credit equivalent amount would be calculated as follows:

$$NGR = 0 = (0/300{,}000)$$
$$A_{net} = (0.4 \times \$2{,}900{,}000) + 0.6\,(0 \times \$2{,}900{,}000)$$
$$A_{net} = \$1{,}160{,}000$$

The credit equivalent amount is $1,160,000 + 0 = $1,160,000.
d. If the net current exposure was a positive number, for example $200,000, the credit equivalent amount would be calculated as follows:

$$NGR = .67 = (\$200{,}000/\$300{,}000)$$
$$A_{net} = (0.4 \times \$2{,}900{,}000) + 0.6\,(.67 \times \$2{,}900{,}000)$$
$$A_{net} = \$2{,}325{,}800.$$

The credit equivalent amount would be $2,325,800 + $200,000 = $2,525,800.

* * * * *

Part 225—Bank Holding Companies and Change in Bank Control (Regulation Y)

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

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, Attachment V—Calculating Credit Equivalent Amounts for Derivative Contracts

Type of contract	Notional principal amount	Conversion factor	Potential exposure (dollars)	Mark-to-market	Current exposure (dollars)	Credit equivalent amount
(1) 120-day forward foreign exchange	5,000,000	.01	50,000	100,000	100,000	150,000
(2) 4-year forward foreign exchange	6,000,000	.05	300,000	−120,000	0	300,000
(3) 3-year single-currency fixed and floating interest rate swap	10,000,000	.005	50,000	200,000	200,000	250,000
(4) 6-month oil swap	10,000,000	.10	1,000,000	−250,000	0	1,000,000
(5) 7-year cross-currency floating and floating interest rate swap	20,000,000	.075	1,500,000	−1,500,000	0	1,500,000
Total			2,900,000	[illegible]	300,000	3,200,000

Contract	Potential future exposure	Net current exposure	Credit equivalent amount
(1)	50,000		
(2)	300,000		
(3)	50,000		
(4)	1,000,000		
(5)	1,500,000		
Total	2,900,000	+ 0	2,900,000

NOTE: The total of the mark-to-market values from the first table is − $1,370,000. Since this is a negative amount, the net current exposure is zero.

1831p-1, 1843(c)(8), 1844(b), 1972(1), 3106, 3108, 3310, 3331-3351, 3907, and 3909.

2. In Part 225, Appendix A is amended by revising the last paragraph of section III.*C*.3. and footnote 43 in the introductory text of section III.*D*. to read as follows:

APPENDIX A TO PART 225—CAPITAL ADEQUACY GUIDELINES FOR BANK HOLDING COMPANIES: RISK-BASED MEASURE

* * * * *

III. * * *

C. * * *

3. * * *

Credit equivalent amounts of derivative contracts involving standard risk obligors (that is, obligors whose loans or debt securities would be assigned to the 100 percent risk category) are included in the 50 percent category, unless they are backed by collateral or guarantees that allow them to be placed in a lower risk category.

* * * * *

D. * * * [43] * * *

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3. In Part 225, Appendix A is amended by revising the section III.E. heading and section III.E. to read as follows:

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III. * * *

E. *Derivative Contracts (Interest Rate, Exchange Rate, Commodity-(including precious metals) and Equity-Linked Contracts)*

1. *Scope.* Credit equivalent amounts are computed for each of the following off-balance-sheet derivative contracts:

a. *Interest Rate Contracts.* These include single currency interest rate swaps, basis swaps, forward rate agreements, interest rate options purchased (including caps, collars, and floors purchased), and any other instrument linked to interest rates that gives rise to similar credit risks (including when-issued securities and forward forward deposits accepted).

b. *Exchange Rate Contracts.* These include cross-currency interest rate swaps, forward foreign exchange contracts, currency options purchased, and any other instrument linked to exchange rates that gives rise to similar credit risks.

c. *Equity Derivative Contracts.* These include equity-linked swaps, equity-linked options purchased, forward equity-linked contracts, and any other instru-

43. The sufficiency of collateral and guarantees for off-balance-sheet items is determined by the market value of the collateral or the amount of the guarantee in relation to the face amount of the item, except for derivative contracts, for which this determination is generally made in relation to the credit equivalent amount. Collateral and guarantees are subject to the same provisions noted under section III.*B*. of this Appendix A.

ment linked to equities that gives rise to similar credit risks.

d. *Commodity (including precious metal) Derivative Contracts*. These include commodity-linked swaps, commodity-linked options purchased, forward commodity-linked contracts, and any other instrument linked to commodities that gives rise to similar credit risks.

e. *Exceptions*. Exchange rate contracts with an original maturity of fourteen or fewer calendar days and derivative contracts traded on exchanges that require daily receipt and payment of cash variation margin may be excluded from the risk-based ratio calculation. Gold contracts are accorded the same treatment as exchange rate contracts except that gold contracts with an original maturity of fourteen or fewer calendar days are included in the risk-based ratio calculation. Over-the-counter options purchased are included and treated in the same way as other derivative contracts.

2. *Calculation of credit equivalent amounts*. a. The credit equivalent amount of a derivative contract that is not subject to a qualifying bilateral netting contract in accordance with section III.*E*.3. of this Appendix A is equal to the sum of:

(i) the current exposure (sometimes referred to as the replacement cost) of the contract; and

(ii) an estimate of the potential future credit exposure of the contract.

b. The current exposure is determined by the mark-to-market value of the contract. If the mark-to-market value is positive, then the current exposure is equal to that mark-to-market value. If the mark-to-market value is zero or negative, then the current exposure is zero. Mark-to-market values are measured in dollars, regardless of the currency or currencies specified in the contract and should reflect changes in underlying rates, prices, and indices, as well as counterparty credit quality.

c. The potential future credit exposure of a contract, including a contract with a negative mark-to-market value, is estimated by multiplying the notional principal amount of the contract by a credit conversion factor. Banking organizations should use, subject to examiner review, the effective rather than the apparent or stated notional amount in this calculation. The credit conversion factors are:

Conversion Factors
Percent

Remaining maturity	Interest rate	Exchange rate and gold	Equity	Commodity, excluding precious metals	Precious metals, except gold
One year or less . .	0.0	1.0	6.0	10.0	7.0
Over one to five years	0.5	5.0	8.0	12.0	7.0
Over five years . . .	1.5	7.5	10.0	15.0	8.0

d. For a contract that is structured such that on specified dates any outstanding exposure is settled and the terms are reset so that the market value of the contract is zero, the remaining maturity is equal to the time until the next reset date. For an interest rate contract with a remaining maturity of more than one year that meets these criteria, the minimum conversion factor is 0.5 percent.

e. For a contract with multiple exchanges of principal, the conversion factor is multiplied by the number of remaining payments in the contract. A derivative contract not included in the definitions of interest rate, exchange rate, equity, or commodity contracts as set forth in section III.*E*.1. of this Appendix A is subject to the same conversion factors as a commodity, excluding precious metals.

f. No potential future exposure is calculated for a single currency interest rate swap in which payments are made based upon two floating rate indices (a so called floating/floating or basis swap); the credit exposure on such a contract is evaluated solely on the basis of the mark-to-market value.

g. The Board notes that the conversion factors set forth above, which are based on observed volatilities of the particular types of instruments, are subject to review and modification in light of changing volatilities or market conditions.

3. *Netting*. a. For purposes of this Appendix A, netting refers to the offsetting of positive and negative mark-to-market values when determining a current exposure to be used in the calculation of a credit equivalent amount. Any legally enforceable form of bilateral netting (that is, netting with a single counterparty) of derivative contracts is recognized for purposes of calculating the credit equivalent amount provided that:

i. The netting is accomplished under a written netting contract that creates a single legal obligation, covering all included individual contracts, with the effect that the banking organization would have a claim to receive, or obligation to pay, only the net amount of the sum of the positive and negative mark-to-market values on included individual contracts in the event that a counterparty, or a counterparty to whom the contract has been validly assigned, fails to perform due to any of the following events: default, insolvency, liquidation, or similar circumstances.

ii. The banking organization obtains a written and reasoned legal opinion(s) representing that in the event of a legal challenge—including one resulting from default, insolvency, liquidation, or similar circumstances—the relevant court and administrative authorities would find the banking organization's exposure to be the net amount under:

1. The law of the jurisdiction in which the counterparty is chartered or the equivalent location in the case of noncorporate entities, and if a branch of the counterparty is involved, then also under the law of the jurisdiction in which the branch is located;

2. The law that governs the individual contracts covered by the netting contract; and

3. The law that governs the netting contract.

iii. The banking organization establishes and maintains procedures to ensure that the legal characteristics of netting contracts are kept under review in the light of possible changes in relevant law.

iv. The banking organization maintains in its files documentation adequate to support the netting of derivative contracts, including a copy of the bilateral netting contract and necessary legal opinions.

b. A contract containing a walkaway clause is not eligible for netting for purposes of calculating the credit equivalent amount.[53]

c. A banking organization netting individual contracts for the purpose of calculating credit equivalent amounts of derivative contracts represents that it has met the requirements of this Appendix A and all the appropriate documents are in the banking organization's files and available for inspection by the Federal Reserve. The Federal Reserve may determine that a banking organization's files are inadequate or that a netting contract, or any of its underlying individual contracts, may not be legally enforceable under any one of the bodies of law described in section III.*E*.3.a.ii. of this Appendix A. If such a determination is made, the netting contract may be disqualified from recognition for risk-based capital purposes or underlying individual contracts may be treated as though they are not subject to the netting contract.

d. The credit equivalent amount of contracts that are subject to a qualifying bilateral netting contract is calculated by adding:

(i) the current exposure of the netting contract (net current exposure) and

(ii) the sum of the estimates of potential future credit exposures on all individual contracts subject to the netting contract (gross potential future exposure) adjusted to reflect the effects of the netting contract.[54]

e. The net current exposure is the sum of all positive and negative mark-to-market values of the individual contracts included in the netting contract. If the net sum of the mark-to-market values is positive, then the net current exposure is equal to that sum. If the net sum of the mark-to-market values is zero or negative, then the net current exposure is zero. The Federal Reserve may determine that a netting contract qualifies for risk-based capital netting treatment even though certain individual contracts included under the netting contract may not qualify. In such instances, the nonqualifying contracts should be treated as individual contracts that are not subject to the netting contract.

f. Gross potential future exposure, or A_{gross} is calculated by summing the estimates of potential future exposure (determined in accordance with section III.*E*.2 of this Appendix A) for each individual contract subject to the qualifying bilateral netting contract.

g. The effects of the bilateral netting contract on the gross potential future exposure are recognized through the application of a formula that results in an adjusted add-on amount A_{net}. The formula, which employs the ratio of net current exposure to gross current exposure (NGR), is expressed as:

$$A_{net} = (0.4 \times A_{gross}) + 0.6\ (NGR \times A_{gross})$$

h. The NGR may be calculated in accordance with either the counterparty-by-counterparty approach or the aggregate approach.

i. Under the counterparty-by-counterparty approach, the NGR is the ratio of the net current exposure for a netting contract to the gross current exposure of the netting contract. The gross current exposure is the sum of the current exposures of all individual contracts subject to the netting contract calculated in accordance with section III.*E*.2. of this Appendix A. Net negative mark-to-market values for individual netting contracts with the same counterparty may not be used to offset net positive mark-to-market values for other netting contracts with the same counterparty.

ii. Under the aggregate approach, the NGR is the ratio of the sum of all of the net current exposures for qualifying bilateral netting contracts to the sum of all of the gross current exposures for those netting contracts (each gross current exposure is calculated in the same manner as in section III.*E*.3.h.i. of this Appendix A). Net negative mark-to-market values for individual counterparties may not be used to offset net positive current exposures for other counterparties.

53. A walkaway clause is a provision in a netting contract that permits a non-defaulting counterparty to make lower payments than it would make otherwise under the contract, or no payment at all, to a defaulter or to the estate of a defaulter, even if the defaulter or the estate of the defaulter is a net creditor under the contract.

54. For purposes of calculating potential future credit exposure to a netting counterparty for foreign exchange contracts and other similar contracts in which notional principal is equivalent to cash flows, total notional principal is defined as the net receipts falling due on each value date in each currency.

iii. A banking organization must use consistently either the counterparty-by-counterparty approach or the aggregate approach to calculate the NGR. Regardless of the approach used, the NGR should be applied individually to each qualifying bilateral netting contract to determine the adjusted add-on for that netting contract.

i. In the event a netting contract covers contracts that are normally excluded from the risk-based ratio calculation—for example, exchange rate contracts with an original maturity of fourteen or fewer calendar days or instruments traded on exchanges that require daily payment and receipt of cash variation margin—an institution may elect to either include or exclude all mark-to-market values of such contracts when determining net current exposure, provided the method chosen is applied consistently.

4. *Risk Weights.* Once the credit equivalent amount for a derivative contract, or a group of derivative contracts subject to a qualifying bilateral netting contract, has been determined, that amount is assigned to the risk category appropriate to the counterparty, or, if relevant, the guarantor or the nature of any collateral.[55] However, the maximum risk weight applicable to the credit equivalent amount of such contracts is 50 percent.

5. *Avoidance of double counting.* a. In certain cases, credit exposures arising from the derivative contracts covered by section III.*E.* of this Appendix A may already be reflected, in part, on the balance sheet. To avoid double counting such exposures in the assessment of capital adequacy and, perhaps, assigning inappropriate risk weights, counterparty credit exposures arising from the derivative instruments covered by these guidelines may need to be excluded from balance sheet assets in calculating a banking organization's risk-based capital ratios.

b. Examples of the calculation of credit equivalent amounts for contracts covered under this section III.*E.* are contained in Attachment V of this Appendix A.

* * * * *

4. In Appendix A to Part 225, Attachments IV and V are revised to read as follows:

* * * * *

55. For derivative contracts, sufficiency of collateral or guarantees is generally determined by the market value of the collateral or the amount of the guarantee in relation to the credit equivalent amount. Collateral and guarantees are subject to the same provisions noted under section III.*B.* of this Appendix A.

Attachment IV—Credit Conversion Factors for Off-Balance-Sheet Items for Bank Holding Companies

100 Percent Conversion Factor

1. Direct credit substitutes. (These include general guarantees of indebtedness and all guarantee-type instruments, including standby letters of credit backing the financial obligations of other parties.)
2. Risk participations in bankers acceptances and direct credit substitutes, such as standby letters of credit.
3. Sale and repurchase agreements and assets sold with recourse that are not included on the balance sheet.
4. Forward agreements to purchase assets, including financing facilities, on which drawdown is certain.
5. Securities lent for which the banking organization is at risk.

50 Percent Conversion Factor

1. Transaction-related contingencies. (These include bid-bonds, performance bonds, warranties, and standby letters of credit backing the nonfinancial performance of other parties.)
2. Unused portions of commitments with an original maturity exceeding one year, including underwriting commitments and commercial credit lines.
3. Revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and similar arrangements.

20 Percent Conversion Factor

Short-term, self-liquidating trade-related contingencies, including commercial letters of credit.

Zero Percent Conversion Factor

Unused portions of commitments with an original maturity of one year or less, or which are unconditionally cancellable at any time, provided a separate credit decision is made before each drawing.

Credit Conversion for Derivative Contracts

1. The credit equivalent amount of a derivative contract is the sum of the current credit exposure of the contract and an estimate of potential future increases in credit exposure. The current exposure is the positive mark-to-market value of the contract (or zero if the mark-to-market value is zero or negative). For derivative contracts that are subject to a qualifying bilateral netting contract, the current exposure is, generally, the net sum of the positive and negative mark-to-market values of the contracts included in the netting contract (or zero if

the net sum of the mark-to-market values is zero or negative). The potential future exposure is calculated by multiplying the effective notional amount of a contract by one of the following credit conversion factors, as appropriate:

Conversion Factors
Percent

Remaining maturity	Interest rate	Exchange rate and gold	Equity	Commodity, excluding precious metals	Precious metals, except gold
One year or less . .	0.0	1.0	6.0	10.0	7.0
Over one to five years	0.5	5.0	8.0	12.0	7.0
Over five years . . .	1.5	7.5	10.0	15.0	8.0

For contracts subject to a qualifying bilateral netting contract, the potential future exposure is, generally, the sum of the individual potential future exposures for each contract included under the netting contract adjusted by the application of the following formula:

$$A_{net} = (0.4 \times A_{gross}) + 0.6\,(NGR \times A_{gross})$$

NGR is the ratio of net current exposure to gross current exposure.

2. No potential future exposure is calculated for single currency interest rate swaps in which payments are made based upon two floating indices, that is, so called floating/floating or basis swaps. The credit exposure on these contracts is evaluated solely on the basis of their mark-to-market value. Exchange rate contracts with an original maturity of fourteen or fewer days are excluded. Instruments traded on exchanges that require daily receipt and payment of cash variation margin are also excluded. (*See* upper portion of Attachment V.)

a. If contracts (1) through (5) above are subject to a qualifying bilateral netting contract, then the following applies: (*see* lower portion of Attachment V.)

b. To recognize the effects of bilateral netting on potential future exposure the following formula applies:

$$A_{net} = (0.4 \times A_{gross}) + 0.6\,(NGR \times A_{gross})$$

c. In the above example, where the net current exposure is zero, the credit equivalent amount would be calculated as follows:

$$NGR = 0 = (0/300{,}000)$$
$$A_{net} = (0.4 \times \$2{,}900{,}000) + .6\,(0 \times \$2{,}900{,}000)$$
$$A_{net} = \$1{,}160{,}000$$

The credit equivalent amount is \$1,160,000 + 0 = \$1,160,000.

d. If the net current exposure was a positive number, for example \$200,000, the credit equivalent would be calculated as follows:

$$NGR = .67 = (\$200{,}000/\$300{,}000)$$
$$A_{net} = (0.4 \times \$2{,}900{,}000) + 0.6\,(.67 \times \$2{,}900{,}000)$$
$$A_{net} = \$2{,}325{,}800$$

The credit equivalent amount would be \$2,325,800 + \$200,000 = \$2,525,800.

* * * * *

Part 325—Capital Maintenance

1. The authority citation for Part 325 continues to read as follows:

Authority: 12 U.S.C. 1815(a), 1815(b), 1816, 1818(a), 1818(b), 1818(c), 1818(t), 1819(Tenth), 1828(c), 1828(d), 1828(I), 1828(n), 1828(o), 1831o, 1835, 3907, 3909, 4808; Pub. L. 102–233, 105 Stat. 1761, 1789, 1790 (12 U.S.C. 1831n note) Pub. L. 102–242, 105 Stat. 2236, 2355, 2386 (12 U.S.C. 1828 note).

2. In Appendix A to Part 325, section II is amended by:

a. Revising the last sentence in section II.*C*. Category 3;

b. Redesignating footnotes 35 through 38 as footnotes 36 through 39;

c. Adding new footnote 35 at the end of the introductory text of section II.*D*.; and

d. Revising section II.*E*. to read as follows:

Appendix A to Part 325—Statement of Policy on Risk-Based Capital

* * * * *

II. * * *

C. * * *

Category 3 *** In addition, the credit equivalent amount of derivative contracts that do not qualify for a lower risk weight are assigned to the 50 percent risk category.

* * * * *

D. * * * [35] * * *

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35. The sufficiency of collateral and guarantees for off-balance-sheet items is determined by the market value of the collateral or the amount of the guarantee in relation to the face amount of the item, except for derivative contracts, for which this determination is generally made in relation to the credit equivalent amount.

Attachment V—Calculating Credit Equivalent Amounts for Derivative Contracts

Type of contract	Notional principal amount	Conversion factor	Potential exposure (dollars)	Mark-to-market	Current exposure (dollars)	Credit equivalent amount
(1) 120-day forward foreign exchange	5,000,000	.01	50,000	100,000	100,000	150,000
(2) 4-year forward foreign exchange	6,000,000	.05	300,000	- 120,000	0	300,000
(3) 3-year single-currency fixed and floating interest rate swap	10,000,000	.005	50,000	200,000	200,000	250,000
(4) 6-month oil swap	10,000,000	.10	1,000,000	-250,000	0	1,000,000
(5) 7-year cross-currency floating and floating interest rate swap	20,000,000	.075	1,500,000	- 1,500,000	0	1,500,000
Total			2,900,000	+	300,000	3,200,000

Contract	*Potential* future exposure	Net current exposure	Credit equivalent amount
(1)	50,000		
(2)	300,000		
(3)	50,000		
(4)	1,000,000		
(5)	1,500,000		
Total	2,900,000	0	2,900,000

NOTE: The total of the mark-to-market values from the first table is -$1,370,000. Since this is a negative amount, the net current exposure is zero.

E. *Derivative Contracts (Interest Rate, Exchange Rate, Commodity (including precious metal) and Equity Derivative Contracts)*

1. Credit equivalent amounts are computed for each of the following off-balance-sheet derivative contracts:

(a) Interest Rate Contracts

(i) Single currency interest rate swaps.

(ii) Basis swaps.

(iii) Forward rate agreements.

(iv) Interest rate options purchased (including caps, collars, and floors purchased).

(v) Any other instrument linked to interest rates that gives rise to similar credit risks (including when-issued securities and forward deposits accepted).

(b) Exchange Rate Contracts

(i) Cross-currency interest rate swaps.

(ii) Forward foreign exchange contracts.

(iii) Currency options purchased.

(iv) Any other instrument linked to exchange rates that gives rise to similar credit risks.

(c) Commodity (including precious metal) or Equity Derivative Contracts

(i) Commodity- or equity-linked swaps.

(ii) Commodity- or equity-linked options purchased.

(iii) Forward commodity- or equity-linked contracts.

(iv) Any other instrument linked to commodities or equities that gives rise to similar credit risks.

2. Exchange rate contracts with an original maturity of 14 calendar days or less and derivative contracts traded on exchanges that require daily receipt and payment of cash variation margin may be excluded from the risk-based ratio calculation. Gold contracts are accorded the same treatment as exchange rate contracts except gold contracts with an original maturity of 14 calendar days or less are included in the risk-based calculation. Over-the-counter options purchased are included and treated in the same way as other derivative contracts.

3. *Credit Equivalent Amounts for Derivative Contracts.*

(a) The credit equivalent amount of a derivative contract that is not subject to a qualifying bilateral netting contract in accordance with section II.*E*.5. of this Appendix A is equal to the sum of:

(i) The current exposure (which is equal to the mark-to-market value,[40] if positive, and is sometimes referred to as the replacement cost) of the contract; and

(ii) An estimate of the potential future credit exposure.

(b) The current exposure is determined by the mark-to-market value of the contract. If the mark-to-market value is positive, then the current exposure is equal to

Collateral and guarantees are subject to the same provisions noted under section II.*B*. of this Appendix A.

40. Mark-to-market values are measured in dollars, regardless of the currency or currencies specified in the contract and should reflect changes in both underlying rates, prices and indices, and counterparty credit quality.

that mark-to-market value. If the mark-to-market value is zero or negative, then the current exposure is zero.

(c) The potential future credit exposure of a contract, including a contract with a negative mark-to-market value, is estimated by multiplying the notional principal amount of the contract by a credit conversion factor. Banks should, subject to examiner review, use the effective rather than the apparent or stated notional amount in this calculation. The credit conversion factors are:

Conversion Factor Matrix
Percent

Remaining maturity	*Interest rate*	Exchange rate and gold	Equity	Precious metals, except gold	*Other commodities*
One year or less ...	0.0	1.0	6.0	7.0	10.0
More than one year to five years	0.5	5.0	8.0	7.0	12.0
More than five years	1.5	7.5	10.0	8.0	15.0

(d) For contracts that are structured to settle outstanding exposure on specified dates and where the terms are reset such that the market value of the contract is zero on these specified dates, the remaining maturity is equal to the time until the next reset date. For interest rate contracts with remaining maturities of more than one year and that meet these criteria, the conversion factor is subject to a minimum value of 0.5 percent.

(e) For contracts with multiple exchanges of principal, the conversion factors are to be multiplied by the number of remaining payments in the contract. Derivative contracts not explicitly covered by any of the columns of the conversion factor matrix are to be treated as "other commodities."

(f) No potential future exposure is calculated for single currency interest rate swaps in which payments are made based upon two floating rate indices (so called floating/floating or basis swaps); the credit exposure on these contracts is evaluated solely on the basis of their mark-to-market values.

4. *Risk Weights and Avoidance of Double Counting.*

(a) Once the credit equivalent amount for a derivative contract, or a group of derivative contracts subject to a qualifying bilateral netting agreement, has been determined, that amount is assigned to the risk category appropriate to the counterparty, or, if relevant, the guarantor or the nature of any collateral. However, the maximum weight that will be applied to the credit equivalent amount of such contracts is 50 percent.

(b) In certain cases, credit exposures arising from the derivative contracts covered by these guidelines may already be reflected, in part, on the balance sheet. To avoid double counting such exposures in the assessment of capital adequacy and, perhaps, assigning inappropriate risk weights, counterparty credit exposures arising from the types of instruments covered by these guidelines may need to be excluded from balance sheet assets in calculating a bank's risk-based capital ratio.

(c) The FDIC notes that the conversion factors set forth in section II.*E*.3. of Appendix A, which are based on observed volatilities of the particular types of instruments, are subject to review and modification in light of changing volatilities or market conditions.

(d) Examples of the calculation of credit equivalent amounts for these types of contracts are contained in Table IV of this Appendix A.

5. *Netting.* (a) For purposes of this Appendix A, netting refers to the offsetting of positive and negative mark-to-market values when determining a current exposure to be used in the calculation of a credit equivalent amount. Any legally enforceable form of bilateral netting (that is, netting with a single counterparty) of derivative contracts is recognized for purposes of calculating the credit equivalent amount provided that:

(i) The netting is accomplished under a written netting contract that creates a single legal obligation, covering all included individual contracts, with the effect that the bank would have a claim or obligation to receive or pay, respectively, only the net amount of the sum of the positive and negative mark-to-market values on included individual contracts in the event that a counterparty, or a counterparty to whom the contract has been validly assigned, fails to perform due to default, bankruptcy, liquidation, or similar circumstances;

(ii) The bank obtains a written and reasoned legal opinion(s) representing that in the event of a legal challenge, including one resulting from default, insolvency, bankruptcy or similar circumstances, the relevant court and administrative authorities would find the bank's exposure to be such a net amount under:

(*1*) The law of the jurisdiction in which the counterparty is chartered or the equivalent location in the case of noncorporate entities and, if a branch of the counterparty is involved, then also under the law of the jurisdiction in which the branch is located;

(*2*) The law that governs the individual contracts covered by the netting contract; and

(*3*) The law that governs the netting contract.

(iii) The bank establishes and maintains procedures to ensure that the legal characteristics of netting contracts are kept under review in the light of possible changes in relevant law; and

(iv) The bank maintains in its file documentation adequate to support the netting of derivative contracts, including a copy of the bilateral netting contract and necessary legal opinions.

(b) A contract containing a walkaway clause is not eligible for netting for purposes of calculating the credit equivalent amount.[41]

(c) By netting individual contracts for the purpose of calculating its credit equivalent amount, a bank represents that it has met the requirements of this Appendix A and all the appropriate documents are in the bank's files and available for inspection by the FDIC. Upon determination by the FDIC that a bank's files are inadequate or that a netting contract may not be legally enforceable under any one of the bodies of law described in paragraphs (ii)(*1*) through (*3*) of section II.*E*.5.(a) of this Appendix A, underlying individual contracts may be treated as though they were not subject to the netting contract.

(d) The credit equivalent amount of derivative contracts that are subject to a qualifying bilateral netting contract is calculated by adding:

(i) the net current exposure of the netting contract; and

(ii) the sum of the estimates of potential future exposure for all individual contracts subject to the netting contract, adjusted to take into account the effects of the netting contract.[42]

(e) The net current exposure is the sum of all positive and negative mark-to-market values of the individual contracts subject to the netting contract. If the net sum of the mark-to-market values is positive, then the net current exposure is equal to that sum. If the net sum of the mark-to-market values is zero or negative, then the net current exposure is zero.

(f) The effects of the bilateral netting contract on the gross potential future exposure are recognized through application of a formula, resulting in an adjusted add-on amount A_{net}. The formula, which employs the ratio of net current exposure to gross current exposure (NGR) is expressed as:

$$A_{net} = (0.4 \times A_{gross}) + 0.6\,(NGR \times A_{gross})$$

The effect of this formula is that A_{net} is the weighted average of A_{gross}, and A_{gross} adjusted by the NGR.

(g) The NGR may be calculated in either one of two ways—referred to as the counterparty-by-counterparty approach and the aggregate approach.

(i) Under the counterparty-by-counterparty approach, the NGR is the ratio of the net current exposure of the netting contract to the gross current exposure of the netting contract. The gross current exposure is the sum of the current exposures of all individual contracts subject to the netting contract calculated in accordance with section II.*E*. of this Appendix A.

(ii) Under the aggregate approach, the NGR is the ratio of the sum of all of the net current exposures for qualifying bilateral netting contracts to the sum of all of the gross current exposures for those netting contracts (each gross current exposure is calculated in the same manner as in section II.*E*.5.(g)(i) of this Appendix A). Net negative mark-to-market values to individual counterparties cannot be used to offset net positive current exposures to other counterparties.

(iii) A bank must use consistently either the counterparty-by-counterparty approach or the aggregate approach to calculate the NGR. Regardless of the approach used, the NGR should be applied individually to each qualifying bilateral netting contract to determine the adjusted add-on for that netting contract.

3. In Appendix A to Part 325, Table III is amended by:

a. In the last sentence, removing "II.E.3." and adding in its place "II.*E*.5."; and

b. Revising the chart and its heading to read as follows:

Table III. * * *

* * * * *

Credit Conversion for Derivative Contracts

* * * * *

Conversion Factor Matrix
Percent

Remaining maturity	Interest rate	Exchange rate and gold	Equity	Precious metals, except gold	Other commodities
One year or less	0.0	1.0	6.0	7.0	10.0
More than one year to five years	0.5	5.0	8.0	7.0	12.0
More than five years	1.5	7.5	10.0	8.0	15.0

* * * * *

41. For purposes of this section, a walkaway clause means a provision in a netting contract that permits a non-defaulting counterparty to make lower payments than it would make otherwise under the contract, or no payment at all, to a defaulter or to the estate of a defaulter, even if a defaulter or the estate of a defaulter is a net creditor under the contract.

42. For purposes of calculating potential future credit exposure for foreign exchange contracts and other similar contracts in which notional principal is equivalent to cash flows, total notional principal is defined as the net receipts to each party falling due on each value date in each currency.

4. Appendix A to Part 325, Table IV, is revised to read as follows: (*see* Table IV below)

(2) To recognize the effects of netting on potential future exposure, the following formula applies:

$$A_{net} = (0.4 \times A_{gross}) + 0.6\,(NGR \times A_{gross})$$

(3) In the above example:

$$NGR = 0 = (0/300{,}000)$$
$$A_{net} = (0.4 \times 2{,}900{,}000) + 0.6\,(0 \times 2{,}900{,}000)$$
$$A_{net} = 1{,}160{,}000$$

Credit Equivalent Amount: 1,160,000 + 0 = 1,160,000

(4) If the net current exposure was a positive amount, for example, $200,000, the credit equivalent amount would be calculated as follows:

$$NGR = .67 = (200{,}000/300{,}000)$$
$$A_{net} = (0.4 \times 2{,}900{,}000) + 0.6\,(.67 \times 2{,}900{,}000)$$
$$A_{net} = 2{,}325{,}800$$

Credit Equivalent Amount: 2,325,800 + 200,000 = 2,525,800

Final Rule—Amendments 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 and Capital Adequacy Guidelines), its risk-based and leverage capital adequacy guidelines for state member banks and bank holding companies (collectively, banking organizations) to implement section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994 (Riegle Act). Section 208 states that a qualifying insured depository institution that transfers small business loans and leases on personal property with recourse shall include only the amount of retained recourse in its risk-weighted assets when calculating its capital ratios, provided that certain conditions are met. This rule will have the effect of lowering the capital requirements for small business loans and leases on personal property that have been transferred with recourse by qualifying banking organizations.

Effective September 1, 1995, 12 C.F.R. Parts 208 and 225 are amended as follows:

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

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

Table IV—Calculation of Credit Equivalent Amounts for Derivative Contracts

Potential exposure	+	Current exposure	=	Credit equivalent amount		
Type of contract (remaining maturity)	Notional principal (dollars)	Conversion factor	Potential exposure (dollars)	Mark-to-market value	Current exposure (dollars)	Credit equivalent amount
(1) 120-day forward foreign exchange	5,000,000	.01	50,000	100,000	100,000	150,000
(2) 4-year forward foreign exchange	6,000,000	.05	300,000	−120,000	0	300,000
(3) 3-year single-currency fixed/floating interest rate swap	10,000,000	.005	50,000	200,000	200,000	250,000
(4) 6-month oil swap	10,000,000	.10	1,000,000	−250,000	0	1,000,000
(5) 7-year cross-currency floating/floating interest rate swap	20,000,000	.075	1,500,000	−1,500,000	0	1,500,000
TOTAL			2,900,000		300,000	3,200,000

(1) If contracts (1) through (5) above are subject to a qualifying bilateral netting contract, then the following applies:

	Potential future exposure (from above)		Net current exposure*		Credit equivalent amount
(1)	50,000				
(2)	300,000				
(3)	50,000				
(4)	1,000,000				
(5)	1,500,000				
Total	2,900,000	+	0	=	2,900,000

* The total of the mark-to-market values from above is −1,370,000. Since this is a negative amount, the net current exposure is zero.

Authority: 12 U.S.C. 36, 248(a), 248(c), 321–338a, 371d, 461, 481–486, 601, 611, 1814, 1823(j), 1828(o), 1831o, 1831p-1, 3105, 3310, 3331-3351, and 3906-3909; 15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1 and 78w; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b.

2. In Part 208, Appendix A, section III.B. is amended by adding a new paragraph 5. to read as follows:

APPENDIX A TO PART 208—CAPITAL ADEQUACY GUIDELINES FOR STATE MEMBER BANKS: RISK-BASED MEASURE

* * * * *

III. * * *
B. * * *
5. *Small Business Loans and Leases on Personal Property Transferred with Recourse.*

a. Notwithstanding other provisions of this Appendix A, a qualifying bank that has transferred small business loans and leases on personal property (small business obligations) with recourse shall include in weighted-risk assets only the amount of retained recourse, provided two conditions are met. First, the transaction must be treated as a sale under GAAP and, second, the bank must establish pursuant to GAAP a non-capital reserve sufficient to meet the bank's reasonably estimated liability under the recourse arrangement. Only loans and leases to businesses that meet the criteria for a small business concern established by the Small Business Administration under section 3(a) of the Small Business Act are eligible for this capital treatment.

b. For purposes of this Appendix A, a bank is qualifying if it meets the criteria set forth in the Board's prompt corrective action regulation (12 C.F.R. 208.30) for well capitalized or, by order of the Board, adequately capitalized. For purposes of determining whether a bank meets the criteria, its capital ratios must be calculated without regard to the preferential capital treatment for transfers of small business obligations with recourse specified in section III.B.5.a. of this Appendix A. The total outstanding amount of recourse retained by a qualifying bank on transfers of small business obligations receiving the preferential capital treatment cannot exceed 15 percent of the bank's total risk-based capital. By order, the Board may approve a higher limit.

c. If a bank ceases to be qualifying or exceeds the 15 percent capital limitation, the preferential capital treatment will continue to apply to any transfers of small business obligations with recourse that were consummated during the time that the bank was qualifying and did not exceed the capital limit.

d. The risk-based capital ratios of the bank shall be calculated without regard to the preferential capital treatment for transfers of small business obligations with recourse specified in section III.B.5.a. of this Appendix A for purposes of:

(i) Determining whether a bank is adequately capitalized, undercapitalized, significantly undercapitalized, or critically undercapitalized under prompt corrective action (12 C.F.R. 208.33(b)); and

(ii) Reclassifying a well capitalized bank to adequately capitalized and requiring an adequately capitalized bank to comply with certain mandatory or discretionary supervisory actions as if the bank were in the next lower prompt corrective action capital category (12 C.F.R. 208.33(c)).

* * * * *

3. In Part 208, Appendix B, section II. is amended by redesignating paragraph c. as paragraph g. and adding new paragraphs c., d., e., and f. to read as follows:

APPENDIX B TO PART 208—CAPITAL ADEQUACY GUIDELINES FOR STATE MEMBER BANKS: TIER 1 LEVERAGE MEASURE

* * * * *

II. * * *

c. Notwithstanding other provisions of this Appendix B, a qualifying bank that has transferred small business loans and leases on personal property (small business obligations) with recourse shall, for purposes of calculating its tier 1 leverage ratio, exclude from its average total consolidated assets the outstanding principal amount of the small business loans and leases transferred with recourse, provided two conditions are met. First, the transaction must be treated as a sale under generally accepted accounting principles (GAAP) and, second, the bank must establish pursuant to GAAP a non-capital reserve sufficient to meet the bank's reasonably estimated liability under the recourse arrangement. Only loans and leases to businesses that meet the criteria for a small business concern established by the Small Business Administration under section 3(a) of the Small Business Act are eligible for this capital treatment.

d. For purposes of this Appendix B, a bank is qualifying if it meets the criteria set forth in the Board's prompt corrective action regulation (12 C.F.R. 208.30) for well capitalized or, by order of the Board, adequately capitalized. For purposes of determining whether a bank meets these criteria, its capital ratios must be calculated without regard to the preferential capital treatment for transfers of small business obligations with recourse specified in section II.c. of this

Appendix B. The total outstanding amount of recourse retained by a qualifying bank on transfers of small business obligations receiving the preferential capital treatment cannot exceed 15 percent of the bank's total risk-based capital. By order, the Board may approve a higher limit.

e. If a bank ceases to be qualifying or exceeds the 15 percent capital limitation, the preferential capital treatment will continue to apply to any transfers of small business obligations with recourse that were consummated during the time that the bank was qualifying and did not exceed the capital limit.

f. The leverage capital ratio of the bank shall be calculated without regard to the preferential capital treatment for transfers of small business obligations with recourse specified in section II of this Appendix B for purposes of:

(i) Determining whether a bank is adequately capitalized, undercapitalized, significantly undercapitalized, or critically undercapitalized under prompt corrective action (12 C.F.R. 208.33(b)); and

(ii) Reclassifying a well capitalized bank to adequately capitalized and requiring an adequately capitalized bank to comply with certain mandatory or discretionary supervisory actions as if the bank were in the next lower prompt corrective action capital category (12 C.F.R. 208.33(c)).

* * * * *

Part 225—Bank Holding Companies and Change in Bank Control (Regulation Y)

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

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828o, 1831i, 1831p-1, 1843(c)(8), 1844(b), 1972(l), 3106, 3108, 3310, 3331-3351, 3907, and 3909.

2. In Part 225, Appendix A, section III.B. is amended by adding a new paragraph 5. to read as follows:

APPENDIX A TO PART 225—CAPITAL ADEQUACY GUIDELINES FOR BANK HOLDING COMPANIES: RISK-BASED MEASURE

* * * * *

III. * * *

B. * * *

5. *Small Business Loans and Leases on Personal Property Transferred with Recourse.*

a. Notwithstanding other provisions of this Appendix A, a qualifying banking organization that has transferred small business loans and leases on personal property (small business obligations) with recourse shall include in weighted-risk assets only the amount of retained recourse, provided two conditions are met. First, the transaction must be treated as a sale under GAAP and, second, the banking organization must establish pursuant to GAAP a non-capital reserve sufficient to meet the organization's reasonably estimated liability under the recourse arrangement. Only loans and leases to businesses that meet the criteria for a small business concern established by the Small Business Administration under section 3(a) of the Small Business Act are eligible for this capital treatment.

b. For purposes of this Appendix A, a banking organization is qualifying if it meets the criteria for well capitalized or, by order of the Board, adequately capitalized, as those criteria are set forth in the Board's prompt corrective action regulation for state member banks (12 C.F.R. 208.30). For purposes of determining whether an organization meets these criteria, its capital ratios must be calculated without regard to the capital treatment for transfers of small business obligations with recourse specified in section III.B.5.a. of this Appendix A. The total outstanding amount of recourse retained by a qualifying banking organization on transfers of small business obligations receiving the preferential capital treatment cannot exceed 15 percent of the organization's total risk-based capital. By order, the Board may approve a higher limit.

c. If a bank holding company ceases to be qualifying or exceeds the 15 percent capital limitation, the preferential capital treatment will continue to apply to any transfers of small business obligations with recourse that were consummated during the time that the organization was qualifying and did not exceed the capital limit.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Fulton Financial Corporation
Lancaster, Pennsylvania

Order Approving the Merger of Bank Holding Companies

Fulton Financial Corporation, Lancaster, Pennsylvania ("Fulton"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Delaware National Bankshares Corporation ("Delaware National"), and thereby indirectly acquire Delaware National Bank, both of Georgetown, Delaware.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 27,105 (1995)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Fulton, with total consolidated assets of approximately $3 billion, operates banks in Pennsylvania and Maryland.[1] Fulton is the 11th largest commercial banking organization in Pennsylvania, controlling approximately $2 billion in deposits, representing approximately 1.5 percent of the total deposits in commercial banks in the state. Delaware National, with total consolidated assets of $96 million, is the seventh largest commercial banking organization in Delaware, controlling $77 million in deposits, representing approximately 1 percent of the total deposits in commercial banks in the state. Fulton and Delaware National do not compete in any banking market. Based on all the facts of record, the Board has concluded that consummation of this proposal would not result in any significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Douglas Amendment Analysis

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

The statute laws of Delaware permit an out-of-state bank holding company, such as Fulton, to acquire control of a Delaware bank or bank holding company, provided that the out-of-state bank holding company's home state would permit the acquisition by a Delaware bank holding company of banks and bank holding companies located in that state on a reciprocal basis, and that certain other conditions are satisfied.[4] Pennsylvania law also permits the acquisition of Pennsylvania banks and bank holding companies by out-of-state organizations, if, among other things, there is reciprocity between Pennsylvania and the home state of the acquiring company.[5] The Board also notes that the Delaware Bank Commissioner has approved this transaction and has determined that the proposal would comply with Delaware's interstate banking statute. In light of the foregoing, and based on all the facts of record, the Board has concluded that approval of this proposal is not prohibited by the Douglas Amendment.

Convenience and Needs Considerations

In acting on an application under the BHC Act to acquire a depository institution, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of applications.[6]

The Board has received comments from an individual ("Protestant") alleging that Fulton's subsidiary bank, Lafayette Bank, Easton, Pennsylvania ("Lafayette"), has a record of inadequate mortgage lending in low- and moderate-income communities and that this record indicates violations of federal fair lending laws. Protestant also suggests that Lafayette's lending activities discriminate against Hispanic credit applicants and businesses

1. Asset data are as of March 31, 1995, and state deposit data are as of June 30, 1994.

2. Under the Douglas Amendment, a bank holding company's home state is the state in which the operations of its banking subsidiaries were principally conducted on July 1, 1966, or the date on which it became a bank holding company, whichever is later. 12 U.S.C. § 1842(d). The operations of a bank holding company are considered to be principally conducted in that state in which the total deposits of all its banking subsidiaries are largest.

3. 12 U.S.C. § 1842(d).

4. *See* Del. Code Ann. tit. 5, §§ 842, 843 (1993). Delaware law also requires that the majority of the deposits controlled by the out-of-state bank holding company be located in states with laws that permit a bank holding company located in Delaware to acquire a banking organization located in the other state on substantially the same terms and conditions applicable to an in-state bank holding company, and that the acquiring company file an application with the Delaware Bank Commissioner.

5. *See* Pa. Stat. Ann. tit. 7, § 116 (Purdon 1995).

6. 12 U.S.C. § 2903.

with predominantly Hispanic customers, in violation of federal fair lending laws.[7]

In considering the convenience and needs factor under the BHC Act, the Board has carefully reviewed the entire CRA performance record of Fulton, Delaware National, and their subsidiaries; all comments received on this proposal and Fulton's responses to those comments; and all other relevant facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[8]

Record of CRA Performance

A. Evaluation of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process.[9] In this case, the Board notes that all seven of Fulton's subsidiary banks received "outstanding" or "satisfactory" ratings in the most recent examinations of their CRA performance by their primary federal supervisors. In particular, Lafayette received a "satisfactory" rating from its primary federal supervisor, the FDIC, at its most recent CRA performance examination as of February 23, 1994 ("1994 Exam"). Delaware National Bank also received a "satisfactory" rating from its primary federal supervisor, the Office of the Comptroller of the Currency, at its most recent CRA performance examination as of June 1, 1993.

B. HMDA Data and Lending Record

The Board has carefully reviewed the data filed by Lafayette under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") for 1992, 1993, and 1994, in light of Protestant's allegations. These data generally indicate that there are disparities in the origination and denial rates for loan applicants who are residents of low- and moderate-income neighborhoods compared with loan applicants who are residents of middle- and high-income neighborhoods, and that Lafayette's lending to residents of low- and moderate-income neighborhoods declined in 1993 and 1994. Lafayette also received relatively few loan applications from Hispanics.

The Board notes that the most recent CRA examination of Lafayette determined that the bank's delineation of its local community was reasonable and did not exclude low- and moderate-income communities. Furthermore, examiners found that Lafayette generally solicits and appears willing to accept and consider applications from all segments of its local community, including low- and moderate-income neighborhoods, and that there was no evidence of any practice intended to discourage credit applications. The 1994 Exam concluded that Lafayette was in compliance with the provisions of federal fair lending laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. The record also indicates that Lafayette has taken steps to ensure that all loan applicants are treated equally in the lending process, and that Lafayette provides training on fair lending and other CRA-related issues to the bank's officers and other personnel who may have contact with the public.

Lafayette has also taken a number of steps to meet housing-related and other credit needs within its community. In 1993, for example, Lafayette initiated its First Time Home Buyers Program, which helps make home ownership affordable by, among other things, requiring a down payment as low as 5 percent. In 1994, Lafayette originated loans totalling $1,651,000 through the program. Lafayette has advertised the program in local newspapers and on billboards, including a number of billboards located in low- and moderate-income neighborhoods. In addition, in 1995, Lafayette initiated its 100% Financing Mortgage Program. This program provides for no points, less restrictive income requirements, and loan-to-value ratios as high as 100 percent, and focuses on low- and moderate-income areas. Lafayette also is one of several financial institutions that participates in the Home Ownership Outreach Program ("HOOP"), under which conventional bank mortgage loans are combined with secondary financing from HOOP.

Lafayette also assists in meeting the affordable housing and other needs of low- and moderate-income residents throughout its delineated community by participating in community development programs. Lafayette, for example, has invested $100,000 in a privately held multi-bank community development corporation engaged in creating affordable housing and improving employment opportunities for low- and moderate-income individuals who live in economically distressed areas. Lafayette also has provided more than $5 million in financing for a low- and moderate-income housing project through loans and an equity participation. The

7. Protestant also believes that he was treated unfairly on the basis of his religion in his business dealings with Lafayette. Protestant's allegations of illegal discrimination and violations of federal fair lending and other laws have been referred to Lafayette's primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC").

8. 54 *Federal Register* 13,742 (1989).

9. *Id.* at 13,745.

bank participates in a significant number of economic and community development corporations, and has made substantial loans to municipalities and community projects, such as day care and senior citizen centers and senior citizen housing units.

Although a relatively small proportion of Lafayette's loan portfolio consists of commercial loans, Lafayette provides funding to meet the credit needs of small businesses in its community, such as through its participation in the Lehigh Valley Small Business Loan Pool ("Pool").[10] The Pool uses the resources of several banks to provide funding for small businesses through various programs, including one for minority-owned businesses. As of December 31, 1994, Lafayette's total participation in loans generated through the Pool was approximately $150,000, and included participations in 14 loans of $100,000 or less. Lafayette also assists in funding the cost of publishing the Pool's marketing brochure in Spanish. In addition, in 1994, Lafayette made several SBA loans for a total of more than $500,000.

C. Other Elements of CRA Performance

The 1994 Exam found that Lafayette's marketing program was designed to reach all segments of its delineated community, including low- and moderate-income neighborhoods. Lafayette uses a variety of media to market its products and services, including newspapers, direct mailings and billboards. These activities include marketing efforts directed specifically to Hispanic residents. For example, Lafayette advertises its services in *El Hispano*, a newspaper distributed primarily within the Hispanic community. Lafayette also makes available at its branches brochures in Spanish describing Lafayette's services and products. In addition, Lafayette recently hired a Spanish-speaking mortgage loan originator.

Lafayette also uses various methods to ascertain community credit needs, including participation in various community groups.[11] In addition, Lafayette has sponsored credit-related educational programs in 1995. The "Dollars for Your Business Workshops" were designed for low- and moderate-income individuals who wish to start their own businesses or expand existing businesses. The seminars focused on making participants aware of various financing programs available in the community and discussed credit-related and other issues important to small businesses.

The 1994 Exam also noted that Lafayette's CRA policy is formulated by its board of directors and is reviewed annually. Lafayette's directors are involved in creating and monitoring Lafayette's CRA policies and programs, and three of Lafayette's directors are members of its CRA committee.

D. Conclusion On Convenience and Needs Factor

The Board has carefully considered all the facts of record in this case, including the comments received, in reviewing the convenience and needs factor under the BHC Act. Based on a review of the entire record, including the programs and record of performance discussed above, information provided by Fulton, and relevant reports of examination, the Board has concluded that convenience and needs considerations, including the CRA performance records of Fulton, Delaware National, and their subsidiary depository institutions, are consistent with approval of this application.

Other Considerations

The Board also has reviewed the financial and managerial resources and future prospects of Fulton, Delaware National, and their respective subsidiaries,[12] and other

10. Protestant maintains that Lafayette is reluctant to lend to certain types of businesses, and that this practice constitutes the illegal practice of "redlining." The record in this case indicates that Lafayette is not an active commercial lender. In particular, the 1994 Exam noted that Lafayette makes mostly consumer and residential real estate loans, with commercial lending comprising only 7 percent of the bank's total loan portfolio. The 1994 Exam also found that Lafayette makes loans throughout its community and did not find any evidence of discriminatory lending practices. Neither the CRA nor federal fair lending laws require financial institutions to offer or promote a particular loan product or to lend to any particular type of business. On the basis of all the facts of record, including the findings of the 1994 Exam, the Board has concluded that Protestant's comments do not warrant denial of this application.

11. The 1994 Exam noted that several directors and officers of Lafayette participate in local chambers of commerce, development authorities, business and professional associations, and outreach programs.

12. Protestant contends that Fulton and Lafayette lack sufficient supervisory and managerial resources and policies to merit approval of this proposal, particularly in the areas of commercial lending and the integration of newly-acquired banks into the organization. Protestant supports these allegations with information from a civil action he has filed in a Pennsylvania state court against Fulton and Lafayette, and on the basis of related matters such as Fulton's alleged failure to institute new policies and replace personnel in response to Protestant's civil action and the underlying events. In this case, a jury concluded that Protestant was entitled to substantial money damages as the result of actions taken by Lafayette in foreclosing on a loan to him. Lafayette has filed motions to set aside the jury's verdict, and a ruling on these motions is pending.

The Board has carefully reviewed Protestant's allegations in light of all the facts of record, including reports of examination from Lafayette's primary federal supervisor, the FDIC, which assess the managerial resources and policies of the bank, and the most recent report of inspection of Fulton. The Board also notes that Protestant's allegations relate, in large part, to events that occurred in the context of an individual loan transaction with Lafayette, and that supervisory factors the Board must consider under section 3 of the BHC Act, and, based on all the facts of record, has concluded that these factors are consistent with approval of this proposal.

Request for Hearing

Protestant has requested that the Board hold a public meeting or hearing on this application, because he believes that testimony is needed to present certain facts as part of the record. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial. No supervisory agency has recommended denial of this proposal.

Generally, under its rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). In the Board's view, all interested parties have had ample opportunity to submit their views, and substantial written submissions have been received. Protestant's request fails to demonstrate why his substantial written submissions do not adequately present his allegations or why a public hearing or meeting is otherwise warranted.[13] Moreover, after a careful review of all the facts of record, the Board has concluded that Protestant's request disputes the weight that should be accorded to, and the conclusions that may be drawn from, the existing facts of record, or disputes facts that are not material to the Board's decision. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, Protestant's request for a public hearing or meeting on this application is hereby denied.[14]

Conclusion

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

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

By order of the Board of Governors, effective August 14, 1995.

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

WILLIAM W. WILES
Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Norwest Corporation
Minneapolis, Minnesota

Order Approving a Notice to Engage in the Activity of Transmitting Money to a Foreign Country

Norwest Corporation, Minneapolis, Minnesota ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has given notice under section 4(c)(8) of the BHC Act

the civil courts are empowered to provide Protestant with an appropriate remedy under applicable law. Moreover, Fulton has stated that Lafayette is in the process of revising its formal loan policies. The Board expects the bank to initiate these revisions promptly and to consult with the FDIC regarding their promulgation and implementation. Based on all the facts of record, the Board has concluded that Protestant's allegations on these matters do not warrant denial of this application.

13. Protestant maintains generally that a hearing would elicit material information and clarify factual issues relating to this application. He supports his request for a hearing primarily by contending that his experience with Lafayette is indicative of inadequate managerial resources at Lafayette and Fulton. Protestant also has identified two other individuals who, according to Protestant, wish to be heard in this matter and would present adverse information relating to those entities. Protestant also indicates that other community residents would like to testify at a public meeting or hearing. Protestant's request does not identify the evidence he would present to clarify the factual issues in this application or explain why written presentations are insufficient. Moreover, Protestant has not specified the nature of the information that would be presented by the other individuals referred to or specifically identified by Protestant. The Board notes that its rules specify that a hearing request should include a statement of why a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute and summarizing the evidence that would be presented at a hearing.

14. Protestant also has requested that certain information be obtained from Fulton. The Board has reviewed this request, and, for the reasons stated above and in light of all the facts of record, has concluded that the record before the Board is sufficient to act on this application.

(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 Orlandi Valuta, Los Angeles, California, and Orlandi Valuta Nacional, Boulder City, Nevada (collectively "Companies"), through its subsidiary, Norwest Financial Services, Inc., Des Moines, Iowa, and thereby engage in the activity of transmitting money for customers to a foreign country.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 39,395 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Norwest, with total consolidated assets of approximately $61.8 billion, controls bank subsidiaries in 15 states.[1] Norwest also engages directly and through subsidiaries in a broad range of permissible nonbanking activities. Companies are corporations that engage in the business of money transmission to Mexico, and they operate through a network of approximately 1,200 outside representatives in California, Florida, Illinois, and Texas.[2]

Norwest proposes to engage, through Companies, in the activity of transmitting money to Mexico at the order of customers in California, Florida, Illinois, and Texas.[3] Norwest has applications pending with state banking regulators for Companies to continue to conduct this activity in the states in which they currently operate, and Companies would be subject to examination by the state banking regulators.[4] Companies would not be FDIC-insured institutions, and their offices would not constitute "branches" under state or federal law. Companies would not engage in any other nonbanking activity, and in particular, Companies would not engage in commercial lending activities.

Companies receive funds from customers in the United States for transmission to Mexico. A customer makes a direct request to Companies for the transmission of funds using a telephone in the office of an outside representative of Companies. The outside representative collects the money from the customer, issues a receipt and deposits the funds into a designated bank account, which is swept daily by Companies.[5] Companies transmit the money-transfer information to their office in Mexico City, where they purchase pesos from an unaffiliated Mexican exchange company and deposit them in an account at an unaffiliated Mexican bank. The funds in this account are transferred to the branch of the Mexican bank nearest to the recipient, who is notified of the transaction. When the recipient comes to the disbursement site, a check is issued from the branch account, and the funds are immediately available to the recipient.

Section 4(c)(8) of the BHC Act requires the Board to consider whether (1) the proposed activity is closely related to banking; and (2) the performance of the proposed activity is a proper incident to banking—that is whether the proposed activity "can reasonably be expected to produce benefits, 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."

The Board has determined that the activity of transmitting money to foreign countries is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[6] The Board also believes that consummation of the proposal can reasonably be expected to result in public benefits, including gains in efficiencies in the operation of Companies and Norwest, as well as greater competition by expanding the services of Companies into more communities. In addition, consummation of this proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined to, and hereby does, approve the notice. The Board's decision is specifically conditioned on Norwest's complying with all the commitments made in connection with this notice, and obtaining the necessary approvals from state regulators.[7] The Board's deter-

1. Asset data are as of March 31, 1995.

2. Outside representatives of Companies are located in retail establishments such as small markets and grocery stores, travel agencies, pharmacies, and insurance agencies. These establishments, however, do not constitute offices of Companies.

3. Under California law, Companies are authorized to receive money for transmission only to foreign countries. Cal. Fin. Code § 1800.5(a)(1) (West Supp. 1994). Under the laws of Illinois and Texas, Companies are licensed to transmit money within or outside the United States. *See* Ill. Rev. Stat. ch. 205 para. 1 *et seq.* (1995); Tex. Rev. Civ. Stat. Ann. art. 489d. (West 1973). Companies have applied in Florida to transmit money within or outside the United States. *See* Fla. Stat. Ann. § 560 *et seq.* (West Supp. 1995).

4. *See* Cal. Fin. Code § 1800 (West Supp. 1994); Ill. Rev. Stat. ch. 205 para. 657 1 *et seq.* (1995); Tex. Rev. Civ. Stat. Ann. art. 489d. (West 1973); Fla. Stat. Ann. § 560 *et seq.* (West Supp. 1995).

5. Funds are held in trust for the benefit of the remitting customer, and the customer continues to own the funds until the designated recipient receives the funds.

6. *See Philippine Commercial International Bank*, 77 *Federal Reserve Bulletin* 270 (1991); *Bergen Bank A/S*, 76 *Federal Reserve Bulletin* 457 (1990).

7. Norwest also has proposed to engage in money transmission activities to foreign countries from offices throughout the United

mination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions are considered conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective August 28, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

States. Norwest has committed to consult with the Federal Reserve System before commencing money transmission activities in any state not specified in this order to ensure that the activity would satisfy the criteria set forth in this order and to give the Federal Reserve System an opportunity to consider whether a separate application should be submitted for Board review.

Orders Issued Under Bank Merger Act

The Fifth Third Bank
Cincinnati, Ohio

Order Approving the Merger of Banks and Establishment of Bank Branches

The Fifth Third Bank, Cincinnati, Ohio ("Fifth Third"), a state member bank, has applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to acquire certain assets and assume certain liabilities of 12 branches of PNC Bank, Ohio, N.A., Cincinnati, Ohio ("PNC"). Fifth Third also has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branches at the current locations of eight of the PNC branches.[1]

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

Fifth Third is the fourth largest commercial bank in Ohio, controlling deposits of $7.7 billion, representing approximately 7.9 percent of total deposits in commercial banks in the state.[2] Based on all the facts of record, the Board concludes that consummation of the proposed transaction would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market. The Board also concludes that the financial and managerial resources and future prospects of Fifth Third, and the other factors required to be considered under the Federal Reserve Act, are consistent with approval.[3] Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.[4]

1. The locations of the branches that Fifth Third proposes to acquire are listed in the Appendix. Four of the branches would be merged into existing branches of Fifth Third, and the remaining eight branches would remain open.

2. Deposit data are as of March 31, 1995.

3. The Board received comments from an individual ("Protestant") alleging that a demand deposit account of Protestant's company became overdrawn because the Columbus, Ohio, bank subsidiary of Fifth Third Bancorp, changed the encoding for the account without proper notice after acquiring the account as part of a branch acquisition from a third-party financial institution. Protestant also asserts that the service fees for this account are too high. Fifth Third has provided account information indicating that Protestant was notified of the account conversion and that deposits made by Protestant were properly accounted for in the account. Moreover, no similar complaints have been discovered involving other accounts transferred as a result of the conversion. Based on all the facts of record, including Fifth Third's reports of examination, the Board does not believe that these complaints warrant denial of this proposal.

4. Protestant generally contends that Fifth Third and PNC illegally discriminate in lending related to commercial properties located in certain areas (commercial "redlining"). In particular, Protestant states that Fifth Third, PNC, and other institutions in the Dayton, Ohio, banking market have failed to process loans sponsored by the Small Business Administration ("SBA"). Protestant supports his allegations by citing PNC's denial of his application for such a loan. Fifth Third and PNC dispute Protestant's claims, noting that Protestant's loan was denied because Protestant failed to provide requested additional information. Both Fifth Third and PNC received "outstanding" ratings from their federal supervisors at their most recent examinations for performance under the Community Reinvestment Act (Fifth Third—Federal Reserve Bank of Cleveland as of December 30, 1994; PNC—OCC as of June 2, 1994) ("CRA Examination"). Examiners found no evidence of practices intended to discourage loan applications at either institution, and also found both banks to be in compliance with federal

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

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

By order of the Board of Governors, effective August 23, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Branch offices of PNC to be acquired by Fifth Third:

5790 Springboro Pike, Dayton, Ohio
One Country Lane, Brookville, Ohio
430 Wolf Creek Pike, Brookville, Ohio
310 West National Road, Englewood, Ohio
5790 Denlinger Road, Dayton, Ohio
4490 Indian Ripple Road, Dayton, Ohio
5529 Far Hills Avenue, Dayton, Ohio
1 East Main Street, Trotwood, Ohio
1015 South Main Street, Centerville, Ohio*
112 West Second Street, Dayton, Ohio*
2307 Far Hills Avenue, Oakwood, Ohio*
1995 Shiloh Springs Road, Dayton, Ohio*

* Branch offices of PNC to be merged into Fifth Third upon consummation of the proposed transaction.

fair lending laws. In addition, both institutions have a variety of programs designed to assist commercial borrowers in low- and moderate-income areas, including participation in SBA lending programs. For example, Fifth Third has a "Consumer and Small Business Banking Center Manager Call Program" and offers government-sponsored loan programs to assist small businesses and businesses owned by women and minorities. The bank's commercial group also conducts a second review of loan denials for businesses with less than $1 million in annual sales. Fifth Third's CRA Examination indicates that Fifth Third made 46 SBA loans, totalling approximately $9.7 million. In addition to offering government-guaranteed small business loans, PNC introduced a Small Business Line of Credit product in 1994 that focuses on businesses with less than $2 million in annual sales. PNC's CRA Examination indicates that PNC made 17 SBA loans, totalling approximately $3.95 million. The Board also notes that Protestant's allegations relating to his loan denial have been referred to PNC's primary federal supervisor, the OCC. Based on all the facts of record, the Board concludes that these allegations do not warrant denial of this proposal.

Orders Issued Under Federal Reserve Act

Republic Bank
Philadelphia, Pennsylvania

Order Approving Establishment of a Branch

Republic Bank, Philadelphia, Pennsylvania ("Bank"), a state member bank, has given notice of its intention to establish a branch under section 9 of the Federal Reserve Act ("Act") (12 U.S.C. § 321 *et seq.*) at 233 Lancaster Avenue, Ardmore, Pennsylvania.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board's Rules of Procedure (12 C.F.R. 262.3(b)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors specified in the Act.

Bank is the 110th largest banking organization in Pennsylvania with deposits at March 31, 1995, of $104 million, representing less than 1 percent of deposits in commercial banks in the state. The proposed branch would be Bank's first.

Community Reinvestment Act Performance Record

In acting on branch applications, the Board is required to take into account the bank's record under the Community Reinvestment Act ("CRA").[1] 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 their safe and sound operation. To this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of branch applications.[2]

The Board has received comments from Kensington Joint Action Council ("Protestant") opposing the pro-

1. 12 U.S.C. § 2901 *et seq.*
2. 12 U.S.C. § 2903.

posed branch. In particular, Protestant alleges that 1993 data filed under the Home Mortgage Disclosure Act ("HMDA")[3] indicate a bias in Bank's lending record in favor of upper-income communities. The Board has carefully reviewed the entire record of Bank's CRA performance, the comments received on this application, and all other relevant facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[4]

A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that reports of these examinations will be given great weight in the applications process.[5] Bank is primarily a wholesale bank and its lending activities focus on small-and medium-sized businesses. The Board notes that Bank received a "satisfactory" rating from the Federal Reserve Bank of Philadelphia ("Reserve Bank") in its most recent examination for CRA performance, as of December 19, 1994 (the "Examination").

B. HMDA Data and Lending Practices

The Board has reviewed Bank's 1993 and 1994 HMDA data in light of Protestant's allegation that Bank favors upper-income areas in mortgage lending. As noted above, Bank is primarily a wholesale bank and HMDA data show that it has a small number of loan applications and originations. Nevertheless, Bank's HMDA data indicate that loan applications and originations increased substantially from 1993 to 1994. In addition, Bank exceeds the average for banks in its market[6] both in its percentage of applications and originations in low- and moderate-income neighborhoods, and in its approval rates for loans in these low- to moderate-income neighborhoods.

While the CRA does not require a bank to extend any particular type of credit, an institution such as Bank is not relieved from having its performance record assessed under the CRA.[7] The Board has previously noted that HMDA data alone provide an incomplete measure of an institution's lending in its community, and Bank has taken a number of steps to help meet the credit needs of its community.

Bank assists in meeting housing-related credit needs through a variety of programs. For example, Bank entered into an origination agreement with an independent mortgage company in August 1994, to offer alternative financing through a wider range of mortgage products to Bank's customers and, in particular, low- to moderate-income individuals. Bank has originated loans totalling $341,000 under the agreement. The Examination noted that as of July 15, 1994, Bank had over $1 million outstanding in loans to support affordable housing, mainly to purchase and renovate low- to moderate-income housing in Philadelphia. In 1995, Bank has made 15 loans totalling $358,000 to finance properties in low-income neighborhoods to be leased by tenants whose rent is subsidized by the federal government under section 8 of the Housing and Community Development Act of 1974.

Bank also participates in the Federal Home Loan Bank of Pittsburgh's Affordable Housing Program under section 721 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. Bank submitted applications for grants of $100,000 on behalf of a community development association and $70,000 on behalf of a housing association, which were approved in 1994. The first grant will be used in connection with a $2.8 million project to acquire and rehabilitate 25 vacant single-family homes in a low- to moderate-income census tract in Philadelphia, and the second grant will be used in connection with a $1.4 million project to construct, acquire and rehabilitate 14 similarly located single-family units. Bank is requesting a $200,000 grant in connection with a project to provide 40 housing units for first-time homebuyers and single heads of household.

Bank has 22 Small Business Administration ("SBA") loans totalling approximately $800,000, and plans to purchase approximately $250,000 of additional loans in the third quarter of 1995. Bank also has a $25,000 loan commitment to the Philadelphia Small Business Micro Loan Fund.

Bank actively engages in community development lending. For example, Bank has committed $1,175,000 for construction and working capital loans for a residential care facility for severely retarded and disabled children. In addition, Bank has a $650,000 revolving credit facility for a nursing home for low-income, predominantly minority, patients. Bank also has participated with the Philadelphia Community Development Corporation in a $187,000 small business credit facility.

The Examination found that Bank's loan policies show its commitment to evaluating and offering credit without regard to any prohibited basis, that Bank is in compliance with the substantive provisions of the anti-

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3. 12 U.S.C. § 2801 *et seq.*

4. 54 *Federal Register* 13,742 (1989).

5. *Id.* at 13,745.

6. Based on data for banks in Philadelphia, Montgomery, Delaware, Bucks, and Chester counties, the five Pennsylvania counties in the eight-county Philadelphia Metropolitan Statistical Area.

7. *See Continental Bank Corporation*, 75 *Federal Reserve Bulletin* 304 (1989).

discrimination laws and regulations, and that there was no evidence of prohibited discriminatory practices.

C. Conclusion Regarding CRA Performance

The Board has carefully considered the entire record, including Protestant's comments, Bank's responses, and Bank's CRA performance examination reports. In light of all the facts of record, the Board concludes that CRA considerations are consistent with approval of this proposal, and that Protestant's comments do not warrant denial.

Other Considerations

The Board has also concluded that the factors it is required to consider under section 9 of the Act, including Bank's financial condition, the general character of its management, and the proposed exercise of corporate powers, are consistent with approval of this application.

Based on the foregoing and all other facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on Bank's compliance with all commitments made in connection with the application. The commitments and conditions relied on by the Board are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law. Approval is subject to completion of the facilities and their being in operation within one year of the date of this order and to approval by the appropriate state authorities.

By order of the Board of Governors, effective August 16, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Bank Austria Aktiengesellschaft
Vienna, Austria

Order Approving Establishment of a Representative Office

Bank Austria Aktiengesellschaft, Vienna, Austria ("Bank"), a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Chicago, Illinois. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in Chicago (*The Chicago Tribune*, May 20, 1994). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with total consolidated assets of approximately $58.7 billion, is the largest bank in Austria.[1] Anteilsverwaltung-Zentralsparkasse, a holding company ultimately owned by the City of Vienna, is Bank's largest shareholder, with 51.8 percent of its voting shares. The Republic of Austria owns 22.6 percent of the voting shares. No other single shareholder holds 10 percent or more of the outstanding voting shares of Bank.

Bank operates 358 domestic branches and more than 20 international offices, including five branches and nine banking and financial subsidiaries in Europe, Asia, and the United States. In the United States, Bank operates a branch in New York, New York, and seven nonbank subsidiaries that are authorized to engage in leasing, securities brokerage, investment advisory activities, and the issuance of commercial paper.

The proposed representative office in Chicago, Illinois, will serve as a loan production office of the New York branch. The representative office will also act as a liaison between the New York branch and existing customers in the Midwest. The proposed representative office will not accept any deposits, make any loans, make any business decisions for the account of Bank, or otherwise transact any banking business.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24). The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)).

1. All data are as of December 31, 1994.

The Board has previously stated that the standards that apply to the establishment of a branch or agency need not in every case apply to the establishment of a representative office, because representative offices do not engage in a banking business and cannot take deposits or make loans.[2] In evaluating an application to establish a representative office under the IBA and Regulation K, the Board will take into account the standards that apply to the establishment of branches and agencies, subject to the following considerations. With respect to supervision by home country authorities, a foreign bank that proposes to establish a representative office must be subject to a significant degree of supervision by its home country supervisor.[3] A foreign bank's financial and managerial resources will be reviewed to determine whether its financial condition and performance demonstrate that it is capable of complying with applicable laws and has an operating record that would be consistent with the establishment of a representative office in the United States. Finally, all foreign banks, whether operating through branches, agencies or representative offices, will be required to provide adequate assurances of access to information on the operations of the bank and its affiliates necessary to determine compliance with U.S. laws.

In this case, with respect to the issue of supervision by home country authorities, the Board has considered the following information. Bank is subject to the supervisory authority of the Austrian Federal Ministry of Finance (the "Ministry") and the Austrian National Bank (the "Central Bank"). Bank is monitored through the review of required financial reports and external audit reports that provide information on Bank's financial condition and compliance with law and regulation, as well as the appointment of a state commissioner to serve at Bank.[4]

The Ministry receives detailed monthly balance sheets and quarterly profit and loss statements from Bank. These reports are initially filed with the Central Bank, which undertakes a preliminary examination of this information. The Central Bank also independently monitors foreign exchange activities through the review of daily and monthly reports submitted by Bank. In addition, information is collected monthly with respect to asset quality, off-balance sheet transactions, risk-based capital calculations, liquidity, foreign exchange positions, large credit exposures, and investments in subsidiaries exceeding a certain threshold. Certain of these reports include information relating to Bank's foreign branches.

The Ministry also receives reports submitted by external auditors. If the external auditor finds that Bank's financial condition has deteriorated and it may not be able to meet its obligations, or if the external auditor finds evidence that the credit institution is violating laws or regulations of the Ministry, the external auditor is required to report this information immediately to the Ministry and the Central Bank. The external auditor also is to inform the Ministry if the management of Bank fails to provide information that the external auditor requires.

Bank monitors its worldwide activities and operations through periodic internal audits of its foreign and domestic offices and subsidiaries. Subsidiaries are required to supply all information necessary for Bank to monitor the group's consolidated financial position. Bank's internal auditors are required to verify the information supplied to the Bank and to the Ministry and the Central Bank in this regard.

Based on all the facts of record, which include the information described above, the Board concludes that factors relating to the supervision of Bank by its home country supervisors are consistent with approval of the proposed representative office.

The Board also notes that Bank engages directly in the business of banking outside the United States through its banking operations in Austria and elsewhere. Bank has provided the Board with the information necessary to assess the application adequately.

The Board has also taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). In this regard, the Ministry has authorized Bank to establish the proposed representative office.

With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, the Board has also determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed representative office and has also established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

Finally, with respect to access to information about Bank's operations, the Board has reviewed the relevant provisions of law in Austria and has communicated with appropriate governmental authorities regarding access to information. Bank and its ultimate parent have each

2. *See* 58 *Federal Register* 6348, 6351 (1993).

3. *See Citizens National Bank*, 79 *Federal Reserve Bulletin* 805 (1993).

4. The Ministry appoints a state commissioner to serve at banks whose balance sheet assets exceed ATS 5 billion (approximately $450 million), including Bank. The state commissioner has the authority, *inter alia*, to participate in all general meetings of shareholders and all meetings of the supervisory board. If the state commissioner judges decisions taken by these bodies to be in violation of law, he may enter an objection which would provide the Ministry the opportunity to take appropriate action.

committed to make available to the Board such information on the operations of Bank and its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable Federal law. To the extent that the provision of such information may be prohibited by law, Bank and its ultimate parent have committed to cooperate with the Board in obtaining any consents or waivers that might be required from third parties in connection with the disclosure of certain information. In addition, subject to certain conditions, the Ministry may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank and its ultimate parent, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank and its ultimate parent with the commitments made in connection with this application, and with the conditions in this order.[5] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective August 16, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

5. The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the Illinois Commissioner of Banks and Trust Companies to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Illinois and its agent, the Illinois Commissioner of Banks and Trust Companies, to license the proposed representative office of Bank in accordance with any terms or conditions that the State of Illinois may impose.

[*Legal Developments continued on next page.*]

INDEX OF ORDERS ISSUED OR ACTIONS TAKEN BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (APRIL 1, 1995-JUNE 30, 1995)

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Banco Bandeirantes, S.A., Sao Paulo, Brazil	To establish a representative office in Miami, Florida	May 15, 1995	81, 742
Banco Exterior de España, Madrid, Spain	To establish a state-licensed branch in New York, New York	April 5, 1995	81, 616
Banco Francés del Río de la Plata S.A., Buenos Aires, Argentina	To establish a representative office in New York, New York	April 24, 1995	81, 618
Bay Bancorporation, Green Bay Wisconsin	Bay Bank, Green Bay, Wisconsin	June 14, 1995	81, 791
BayBanks, Inc., Boston, Massachusetts NFS Financial Corp., Nashua, New Hampshire NFS Savings Bank, Nashua, New Hampshire	Plaistow Cooperative Bank, Plaistow, New Hampshire	May 30, 1995	81, 723
Corporación Bancaria de España, Madrid, Spain	Banco Exterior de España, Madrid, Spain	April 5, 1995	81, 598
CS Holding, Zurich, Switzerland Credit Suisse, Zurich, Switzerland	BEA Associates, New York, New York	June 30, 1995	81, 803
Donghwa Bank, Seoul, Korea	To convert its New York representative office to a state-licensed branch	May 8, 1995	81, 744
The Farmers Bank of China, Taipei, Taiwan	To establish a state-licensed limited branch in Los Angeles, California	April 24, 1995	81, 620
Farmington Finance Corporation, Tortola, British Virgil Islands Farmington Bancorp, Seattle, Washington	Farmington State Bank, Farmington, Washington	June 14, 1995	81, 791
Fifth Third Bancorp, Cincinnati, Ohio Fifth Third Bank of Northeastern Ohio, Cleveland, Ohio	Falls Financial Inc., Cuyahoga Falls, Ohio Falls Savings Bank, F.S.B., Cuyahoga Falls, Ohio	April 19, 1995	81, 603
First Commerce Corporation, New Orleans, Louisiana	Lakeside Bancshares, Lake Charles, Louisiana Lakeside National Bank of Lake Charles, Lake Charles, Louisiana	June 19, 1995	81, 793
The First National Company, Storm Lake, Iowa	Buena Vista Abstracting, Storm Lake, Iowa	June 30, 1995	81, 805
First Place Financial Corporation, Farmington, New Mexico	Western Bank, Gallup, New Mexico	May 8, 1995	81, 716
First Union Corporation, Charlotte, North Carolina	First Union Capital Markets Corporation, Charlotte, North Carolina	May 30, 1995	81, 726

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Huntington Bancshares Incorporated, Columbus, Ohio Huntington Bancshares Florida, Inc., Columbus, Ohio	Security National Corporation, Maitland, Florida Security National Bank, Maitland, Florida	April 12, 1995	81, 599
The Industrial Bank of Japan, Limited, Tokyo, Japan	Aubrey G. Lanston & Co., Inc., New York, New York	May 18, 1995	81, 731
Lone Star National Bancshares-Texas, Inc., Pharr, Texas Lone Star National Bancshares-Nevada, Inc., Reno, Nevada	Lone Star National Bank, Pharr, Texas	May 15, 1995	81, 717
Marine Midland Bank, Buffalo, New York	To establish a branch office at 4191 North Buffalo Street, Orchard Park, New York	May 25, 1995	81, 739
Marshall & Ilsley Corporation, Milwaukee, Wisconsin	Citizens Bancorp of Delavan, Inc., Delavan, Wisconsin Citizens Bank of Delavan, Delavan, Wisconsin Sharon State Bank, Sharon, Wisconsin	June 12, 1995	81, 795
Mellon Bank Corporation, Pittsburgh, Pennsylvania	Mellon Financial Markets, Inc., Pittsburgh, Pennsylvania	April 17, 1995	81, 605
Mercantile Bancorporation, Inc., St. Louis, Missouri Ameribanc, Inc., St. Louis, Missouri	Central Mortgage Bancshares, Inc., Warrensburg, Missouri	April 6, 1995	81, 608
National City Corporation, Cleveland, Ohio	Raffensperger, Hughes & Company, Inc., Indianapolis, Indiana	June 26, 1995	81, 807
National City Corporation, Cleveland, Ohio	United Bancorp of Kentucky, Inc., Lexington, Kentucky American Fidelity Bank, FSB, Lexington, Kentucky Computer Bank Services Inc., Lexington, Kentucky	June 6, 1995	81, 809

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Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
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North Fork Bancorporation, Inc., Mattituck, New York	Suffolk Bancorp, Riverhead, New York The Suffolk County National Bank, Riverhead, New York Island Computer Corporation of New York, Inc., Bohemia, New York	May 8, 1995	81, 734
Norwest Corporation, Minneapolis, Minnesota	Norwest Mortgage Corporation, Des Moines, Iowa	May 8, 1995	81, 732
Ogden Bancshares, Inc., Ogden, Iowa	City State Bank, Ogden, Iowa	May 18, 1995	81, 719
Premier Bank, Wytheville, Virginia	NationsBank of Virginia, N.A., Richmond, Virginia	April 24, 1995	81, 613
Taiwan Business Bank, Taipei, Taiwan	To convert its representative office in Los Angeles, California, to a state-licensed branch	May 8, 1995	81, 746
Union Planters Corporation, Memphis, Tennessee	First State Bancorporation, Inc., Tiptonville, Tennessee First Exchange Bank, Tiptonville, Tennessee	June 12, 1995	81, 800
Westamerica Bancorporation, San Rafael, California	CapitolBank Sacramento, Sacramento, California	April 17, 1995	81, 601

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT
By the Secretary of the Board

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

Section 3

Applicant(s)	Bank(s)	Effective Date
First Commercial Corporation, Little Rock, Arkansas	FDH Bancshares, Inc., Little Rock, Arkansas	August 25, 1995
First Commercial Corporation, Little Rock, Arkansas	West-Ark Bancshares, Inc., Clarksville, Arkansas	August 16, 1995
Old National Bancorp, Evansville, Indiana	Shawnee Bancorp, Inc., Harrisburg, Illinois	August 31, 1995

Section 3—Continued

Applicant(s)	Bank(s)	Effective Date
SouthTrust Corporation, Birmingham, Alabama	First Commercial Financial Corporation, Bradenton, Florida SouthTrust of Florida, Inc., Jacksonville, Florida	August 16, 1995
United Bancshares, Inc., Charleston, West Virginia	Commercial Interim Bank, Arlington, Virginia First Commercial Bank, Arlington, Virginia	August 29, 1995

Section 4

Applicant(s)	Bank(s)	Effective Date
Dacotah Banks, Inc., Aberdeen, South Dakota	To engage *de novo* in making, acquiring or servicing loans or other extensions of credit.	August 17, 1995
First National of Nebraska, Inc., Omaha, Nebraska	First Technology Solutions, Inc., Omaha, Nebraska	August 9, 1995
Northern Trust Corporation, Chicago, Illinois	RCB International, Inc., Stamford, Connecticut	August 18, 1995
SunTrust Banks, Inc., Atlanta, Georgia	Personal Express Loans, Inc., Atlanta, Georgia	August 25, 1995
Wachovia Corporation, Winston-Salem, North Carolina	Wachovia Capital Markets, Inc., Atlanta, Georgia	August 4, 1995

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
Andover Bancorp, Inc., Andover, Massachusetts Andover Bancorp of New Hampshire, Inc., Concord, New Hampshire	Andover Bank NH, Salem, New Hampshire	Boston	August 18, 1995
Barlow Banking Corporation, Iowa Falls, Iowa	Iowa Falls State Bank, Iowa Falls, Iowa	Chicago	August 8, 1995
Central Corporation, Monroe, Louisiana	First United Bank of Farmerville, Farmerville, Louisiana	Dallas	August 14, 1995

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Chatuge Bank Shares, Inc., Hiawassee, Georgia	Bank of Hiawassee, Hiawassee, Georgia	Atlanta	August 11, 1995
Community First Bankshares, Inc., Fargo, North Dakota	Farmers & Merchants Bank of Beach, Beach, North Dakota	Minneapolis	August 22, 1995
Deposit Guaranty Arkansas Corporation, Fort Smith, Arkansas	First Merchants Financial Corporation, Fort Smith, Arkansas	Atlanta	August 10, 1995
Deposit Guaranty Corporation, Jackson, Mississippi Deposit Guaranty Arkansas Corporation, Fort Smith, Arkansas	First Merchants Financial Corporation, Fort Smith, Arkansas	Atlanta	August 10, 1995
FirstBancorp, Inc., Marathon, Florida	Gulf Coast National Bank of Naples, Naples, Florida	Atlanta	August 2, 1995
FirstBank Holding Company of Colorado, Lakewood, Colorado FirstBank Holding Company of Colorado Employee Stock Ownership Plan, Lakewood, Colorado	FirstBank of Colorado Springs, Colorado Springs, Colorado	Kansas City	August 21, 1995
First National Corporation of Ardmore, Inc., Ardmore, Oklahoma	Bank of Love County, Marietta, Oklahoma	Kansas City	August 10, 1995
Great Southern Bancorp, West Palm Beach, Florida	Great Southern Bank, West Palm Beach, Florida	Atlanta	August 4, 1995
Harris Taubman Financial Corporation, Fayette, Missouri	CTC Bancorp, Inc., Fayette, Missouri	Kansas City	August 23, 1995
Ida Grove Bancshares, Inc., Ida Grove, Iowa	American Bancshares, Inc., Holstein, Iowa	Chicago	August 23, 1995
New England Community Bancorp, Inc., Windsor, Connecticut	The Equity Bank, Wethersfield, Connecticut	Boston	August 18, 1995
Shorebank Corporation, Chicago, Illinois	Bank of Southwest Washington, Vancouver, Washington	Chicago	August 18, 1995
South Banking Company, Alma, Georgia	Pineland Bank, Metter, Georgia	Atlanta	August 14, 1995
Towne Bancorp, Inc., Perrysburg, Ohio	Towne Bank, Perrysburg, Ohio	Cleveland	August 14, 1995
United Community Banks, Inc., Blairsville, Georgia	White County Bancshares, Inc., Cleveland, Georgia	Atlanta	August 9, 1995

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
BancTenn Corporation, Kingsport, Tennessee	Tennessee General Corporation, Johnson City, Tennessee	Atlanta	July 28, 1995
The Colonial BancGroup, Inc., Montgomery, Alabama	Mt. Vernon Financial Corporation, Dunwoody, Georgia	Atlanta	August 16, 1995
Community Trust Financial Services Corporation, Hiram, Georgia	Community Loan Company, Hiram, Georgia	Atlanta	August 18, 1995
First Banks, Inc., Clayton, Missouri	La Cumbre Savings Bank, F.S.B., Santa Barbara, California	St. Louis	August 7, 1995
First Hawaiian, Inc., Honolulu, Hawaii	Pioneer Federal Savings Bank, Honolulu, Hawaii First Hawaiian Creditcorp, Honolulu, Hawaii	San Francisco	August 2, 1995
Ida Grove Bancshares, Inc., Ida Grove, Iowa	To engage in making and servicing loans	Chicago	August 23, 1995
National City Bancshares, Inc., Evansville, Indiana	United Federal Savings Bank, Vincennes, Indiana	St. Louis	August 18, 1995
Peoples Holding Company, Winder, Georgia	TPB Leasing, Winder, Georgia	Atlanta	August 11, 1995
West Bend Bancorp, West Bend, Iowa	Security Insurance Agency, West Bend, Iowa	Chicago	August 11, 1995

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
First State Bank of Taos, Taos, New Mexico	First Bank of Grants, Grants, New Mexico	Kansas City	July 28, 1995

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.

Jones v. Board of Governors, No. 95–1359 (D.C. Cir., filed July 17, 1995). Petition for review of a Board order dated June 19, 1995, approving the application by First Commerce Corporation, New Orleans, Louisiana, to acquire Lakeside Bancshares, Lake Charles, Louisiana. On September 1, 1995, the Board filed a motion to dismiss.

Board of Governors v. Scott, Misc. No. 95–127 (LFO/PJA) (D. D.C., filed April 14, 1995). Application to enforce investigatory subpoenas for documents and testimony. On August 3, 1995, the magistrate judge issued an order granting in part and denying in part the Board's application.

Money Station, Inc. v. Board of Governors, No. 95–1182 (D.C. Cir., filed March 30, 1995). Petition for review of a Board order dated March 1, 1995, approving notices by Bank One Corporation, Columbus, Ohio; CoreStates Financial Corp., Philadelphia, Pennsylvania; PNC Bank Corp., Pittsburgh, Pennsylvania; and KeyCorp, Cleveland, Ohio, to acquire certain data processing assets of National City Corporation, Cleveland, Ohio, through a joint venture subsidiary. On May 1, 1995, Money Station filed a separate petition for review of the Board's March 31, 1995 denial of Money Station's request for reconsideration of the Board's March 1 order (D.C. Cir., No. 95–1243). The cases were consolidated on June 2, 1995.

Jones v. Board of Governors, No. 95–1142 (D.C. Cir., filed March 3, 1995). Petition for review of a Board order dated February 2, 1995, approving the applications by First Commerce Corporation, New Orleans, Louisiana, to merge with City Bancorp, Inc., New Iberia, Louisiana, and First Bankshares, Inc., Slidell, Louisiana. Petitioner filed a motion for injunctive relief and for a stay of the Board's order on April 3, 1995. On August 17, 1995, the court denied the motion.

Board of Governors v. Interamericas Investments, Ltd., No. H-95–565 (S.D. Texas, filed February 24, 1995). Action to freeze certain assets of a company pending administrative adjudication of civil money penalty. On March 1, 1995, the court issued a stipulated order requiring the company to deposit $1 million into the registry of the court.

In re Subpoena Duces Tecum, No. 95–5034 (D.C. Cir., filed January 26, 1995). Appeal of partial denial of plaintiff's motion to compel production of examination and other supervisory material in connection with a shareholder derivative action against a bank holding company. Oral argument is scheduled for November 7, 1995.

Kuntz v. Board of Governors, No. 95–3044 (6th Cir., filed January 12, 1995). Petition for review of a Board order dated December 19, 1994, approving an application by KeyCorp, Cleveland, Ohio, to acquire BANKVERMONT Corp., Burlington, Vermont. On February 10, 1995, the Board filed its motion to dismiss.

In re Subpoena Duces Tecum, Misc. No. 95–06 (D. D.C., filed January 6, 1995). Action to enforce subpoena seeking pre-decisional supervisory documents sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. The Board filed its opposition on January 20, 1995.

Beckman v. Greenspan, No. 95–35473 (9th Cir., file May 4, 1995). Appeal of dismissal of action against Board and others seeking damages for alleged violations of constitutional and common law rights. The appellants' brief was filed on June 23, 1995; the Board's brief was filed on July 12, 1995.

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

Financial and Business Statistics

Guide to Tabular Presentation

Symbols and Abbreviations

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

General Information

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1994 Q3	1994 Q4	1995 Q1	1995 Q2	1995 Mar.	1995 Apr.	1995 May[r]	1995 June	1995 July
Reserves of depository institutions[2]									
1 Total	−1.9	−3.3	−3.7	−8.0	−7.5	−12.2	−4.1	−8.5	6.4
2 Required	−1.9	−3.0	−4.0	−7.0	−4.5	−11.5	−6.8	−10.4	3.8
3 Nonborrowed	−3.5	−2.1	−2.4	−8.6	−7.7	−13.0	−4.9	−11.1[r]	4.3
4 Monetary base[3]	7.5	6.9	6.4	6.2	8.6	7.8	7.2	−2.7	−.4
Concepts of money, liquid assets, and debt[4]									
5 M1	2.4	−1.2	.0	−.9	.6	1.9	−7.0	.8	1.3
6 M2	1.0	−.3	1.7[r]	4.3[r]	2.5	4.2[r]	5.3	11.7[r]	6.1
7 M3	2.2	1.7	4.3[r]	7.0[r]	6.4[r]	6.2[r]	8.0	12.7[r]	8.9
8 L	2.3	3.4	7.9	9.2	10.2[r]	9.5[r]	5.8	12.1	n.a.
9 Debt	4.2	5.2	5.6[r]	5.6	5.5	4.6[r]	5.9	6.4	n.a.
Nontransaction components									
10 In M2[5]	.3	.1[r]	2.4	6.7[r]	3.3[r]	5.3[r]	11.1	16.6[r]	8.3
11 In M3 only[6]	9.0[r]	12.4[r]	18.5[r]	20.7[r]	26.1[r]	15.8[r]	21.0	17.3[r]	22.4
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	−4.6	−8.5	−13.2	−7.3	−17.8	−12.1	2.0	18.2[r]	4.3
13 Small time[7]	9.5[r]	16.0	24.3[r]	23.4	31.1	23.0	17.7	13.4[r]	9.2
14 Large time[8,9]	13.6[r]	17.7[r]	12.7[r]	16.3[r]	21.4[r]	2.3[r]	25.2	13.3[r]	29.0
Thrift institutions									
15 Savings, including MMDAs	−11.5	−17.6	−20.5	−14.6[r]	−19.1[r]	−16.8[r]	−7.5	−3.6[r]	−7.6
16 Small time[7]	1.0[r]	10.4	20.7	25.6[r]	33.3	29.3[r]	20.0	2.0[r]	−.3
17 Large time[8]	8.3	14.1	23.3	14.6[r]	35.2	18.8	−13.5	6.8	30.5
Money market mutual funds									
18 General purpose and broker–dealer	5.7	7.5	7.9	17.9	−1.8	15.7	28.2	61.0	44.0
19 Institution-only	−4.5	7.3	10.0	27.1	57.2	24.8	11.8	66.5	39.7
Debt components[4]									
20 Federal	3.9	5.9	5.2	5.3	7.4	.7	5.9	8.4	n.a.
21 Nonfederal	4.3	5.0	5.7	5.7	4.8	6.0[r]	5.8	5.7	n.a.

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

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

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

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

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

M2: M1 plus (1) overnight (and continuing contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker–dealer money market funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker–dealer), foreign governments and commercial banks, and the U.S. government. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of \$100,000 or more) issued by all depository institutions, (2) term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker–dealer), (3) savings deposits (including MMDAs), and (4) small time deposits.

6. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. This sum is seasonally adjusted as a whole.

7. Small time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

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

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1995			1995						
	May	June	July	June 14	June 21	June 28	July 5	July 12	July 19	July 26
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	411,139	413,473r	411,631	411,523	417,507	411,023r	420,511	413,324	411,274	407,063
U.S. government securities[2]										
2 Bought outright—System account	368,962	372,815	371,272	373,605	372,056	372,841	372,639	372,828	372,389	368,444
3 Held under repurchase agreements	2,773	2,672	1,531	0	6,743	449	9,045	1,199	0	0
Federal agency obligations										
4 Bought outright	3,367	3,140	3,079	3,137	3,104	3,101	3,096	3,081	3,081	3,076
5 Held under repurchase agreements	591	180	121	0	596	0	251	406	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	8	69	85	1	260	9	235	4	133	5
8 Seasonal credit	140	169	231	132	178	212	216	216	232	240
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	364	359r	568	751	299	127r	241	762	893	587
11 Other Federal Reserve assets	34,934	34,068	34,742	33,896	34,271	34,283	34,789	34,829	34,546	34,711
12 Gold stock	11,055	11,054	11,053	11,054	11,054	11,054	11,054	11,053	11,053	11,053
13 Special drawing rights certificate account	8,018	8,018	10,357	8,018	8,018	8,018	9,089	10,518	10,518	10,518
14 Treasury currency outstanding	23,335	23,397	23,457	23,387r	23,401r	23,415r	23,429	23,443	23,457	23,471
ABSORBING RESERVE FUNDS										
15 Currency in circulation	408,336	409,113	410,854	409,721	408,396r	407,788	411,221	412,852	410,953	409,584
16 Treasury cash holdings	340	316	318	316	313	313	318	315	335	313
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,791	7,530	6,984	5,286	11,241	6,977	13,727	5,767	5,568	5,616
18 Foreign	184	209	196	180	218	226	185	202	193	212
19 Service-related balances and adjustments	4,226	4,361r	4,347	4,255	4,421	4,462r	4,498	4,257	4,217	4,403
20 Other	312	284	289	290	295	281	262	285	328	288
21 Other Federal Reserve liabilities and capital	12,926	12,971	12,949	13,010	13,073	12,905	13,327	13,112	12,790	12,741
22 Reserve balances with Federal Reserve Banks[3]	21,431	21,158r	20,560	20,925	22,023	20,559r	20,545	21,549	21,918	18,949
	End-of-month figures			Wednesday figures						
	May	June	July	June 14	June 21	June 28	July 5	July 12	July 19	July 26
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	412,804	427,844r	413,565	410,861	426,352	413,201r	418,284	411,508	412,374	407,518
U.S. government securities[2]										
2 Bought outright—System account	370,047	372,641	375,524	372,805	371,937	372,540	370,538	373,005	373,179	368,520
3 Held under repurchase agreements	3,531	16,324	0	0	15,914	3,146	6,429	0	0	0
Federal agency obligations										
4 Bought outright	3,358	3,096	3,063	3,104	3,104	3,096	3,096	3,081	3,081	3,063
5 Held under repurchase agreements	700	461	0	0	87	0	0	0	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	9	2	3	2	7	2	1,622	6	838	3
8 Seasonal credit	160	214	245	150	196	226	212	224	234	248
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	994	292r	64	811	398	−247r	843	265	527	847
11 Other Federal Reserve assets	34,005	34,813r	34,666	33,989	34,710	34,439	35,544	34,927	34,515	34,837
12 Gold stock	11,054	11,054	11,053	11,054	11,054	11,054	11,053	11,053	11,053	11,053
13 Special drawing rights certificate account	8,018	8,018	10,518	8,018	8,018	8,018	10,518	10,518	10,518	10,518
14 Treasury currency outstanding	23,359r	23,429r	23,485	23,387r	23,401r	23,415r	23,429	23,443	23,457	23,471
ABSORBING RESERVE FUNDS										
15 Currency in circulation	411,104	410,414	409,425	409,970	408,713	409,587	413,394	412,936	410,961	410,101
16 Treasury cash holdings	322	319	306	313	312	319	311	339	314	306
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,646	20,977	11,206	5,000	13,636	7,721	7,059	6,164	6,002	6,433
18 Foreign	227	168	190	164	306	260	192	173	160	215
19 Service-related balances and adjustments	4,336	4,498r	4,427	4,255	4,421	4,462r	4,498	4,257	4,217	4,403
20 Other	215	242	304	292	280	282	282	300	296	278
21 Other Federal Reserve liabilities and capital	12,181	13,519	12,671	12,788	12,919	12,696	12,967	12,626	12,517	12,481
22 Reserve balances with Federal Reserve Banks[3]	22,204	20,209r	20,093	20,540	28,240	20,361r	24,582	19,727	22,936	18,343

1. Amounts of cash held as reserves are shown in table 1.12, line 2.

2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.

3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1992	1993	1994	1995						
	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 Reserve balances with Reserve Banks[2]	25,368	29,374	24,658	22,291	21,758	22,649	24,217	21,476	21,058	20,841
2 Total vault cash[3]	34,541	36,818	40,365	42,291	39,795	38,518	38,099	39,038	39,839	40,522
3 Applied vault cash[4]	31,172	33,484	36,682	38,230	35,941	34,934	34,657	35,281	35,986	36,551
4 Surplus vault cash[5]	3,370	3,334	3,683	4,061	3,855	3,584	3,442	3,757	3,853	3,971
5 Total reserves[6]	56,540	62,858	61,340	60,521	57,699	57,583	58,874	56,757	57,044[r]	57,391
6 Required reserves	55,385	61,795	60,172	59,182	56,752	56,789	58,120	55,877	56,079	56,300
7 Excess reserve balances at Reserve Banks[7]	1,155	1,063	1,168	1,339	946	794	753	880	964[r]	1,091
8 Total borrowings at Reserve Banks[8]	124	82	209	136	59	69	111	150	272	371
9 Seasonal borrowings	18	31	100	46	33	51	82	137	172	231
10 Extended credit[9]	1	0	0	4	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1995									
	Mar. 29	Apr. 12	Apr. 26	May 10	May 24	June 7	June 21	July 5[r]	July 19	Aug. 2
1 Reserve balances with Reserve Banks[2]	22,869	23,412	25,542	21,994	21,406	20,875	21,478	20,546	21,733	19,922
2 Total vault cash[3]	37,773	38,433	37,481	39,261	38,711	39,373	40,146	39,724	40,411	40,983
3 Applied vault cash[4]	34,278	34,941	34,158	35,550	34,955	35,549	36,240	35,930	36,491	36,879
4 Surplus vault cash[5]	3,496	3,492	3,323	3,712	3,756	3,824	3,906	3,794	3,920	4,104
5 Total reserves[6]	57,147	58,353	59,700	57,543	56,361	56,424	57,718	56,476	58,224	56,801
6 Required reserves	56,077	57,939	58,737	56,508	55,552	55,627	56,703	55,462	57,334	55,444
7 Excess reserve balances at Reserve Banks[7]	1,070	414	963	1,035	810	798	1,015	1,014	890	1,357
8 Total borrowings at Reserve Banks[8]	79	76	130	148	144	165	286	336	293	478
9 Seasonal borrowings	59	61	90	124	140	150	155	214	224	245
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3)
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

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

Millions of dollars, averages of daily figures

Source and maturity	1995, week ending Monday								
	June 5	June 12	June 19	June 26	July 3	July 10	July 17	July 24	July 31
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 *For one day or under continuing contract*	80,972	81,756	78,511	73,118	79,073	84,770	79,652	75,355	77,305
2 For all other maturities	17,062	17,723	17,936	18,342	17,570	16,851	17,247	17,234	17,803
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 *For one day or under continuing contract*	22,878	23,479	20,391	24,232	22,697	25,033	25,851	28,063	22,029
4 For all other maturities	28,276	27,768	27,115	26,675	26,295	25,048	25,316	26,262	26,409
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	21,082	21,848	20,890	21,803	18,792	18,939	18,296	18,899	17,082
6 For all other maturities	39,921	39,524	39,292	36,274	36,651	32,647	32,368	35,057	36,905
All other customers									
7 For one day or under continuing contract	39,016	38,330	38,658	38,866	39,780	39,118	38,320	38,280	37,768
8 For all other maturities	18,351	19,198	19,419	18,928	18,473	18,024	17,700	18,187	18,559
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	62,407	59,245	61,144	59,182	61,011	61,895	56,693	55,460	56,819
10 To all other specified customers[2]	32,232	33,345	31,458	30,147	30,224	29,303	29,190	29,478	29,713

1. Banks with assets of $4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover.

2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 9/1/95	Effective date	Previous rate	On 9/1/95	Effective date	Previous rate	On 9/1/95	Effective date	Previous rate
Boston	5.25	2/1/95	4.75	5.75	8/31/95	5.75	6.25	8/31/95	6.25
New York		2/1/95							
Philadelphia		2/2/95							
Cleveland		2/9/95							
Richmond		2/1/95							
Atlanta		2/2/95							
Chicago		2/1/95							
St. Louis		2/1/95							
Minneapolis		2/2/95							
Kansas City		2/1/95							
Dallas		2/2/95							
San Francisco	5.25	2/1/95	4.75	5.75	8/31/95	5.75	6.25	8/31/95	6.25

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1987—Sept. 4	5.5–6	6
11	6	6
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
In effect Sept. 1, 1995	5.25	5.25

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit[2]	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[3]		
1 $0 million–$54.0 million	3	12/20/94
2 More than $54.0 million[4]	10	12/20/94
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under provisions of the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 requires that $2 million of reservable liabilities of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 20, 1994, the exemption was raised from $4.0 million to $4.2 million. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

3. Includes all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers for the purpose of making payments to third persons or others, other than money market deposit accounts (MMDAs) and similar accounts that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three may be checks (accounts subject to such limits are considered savings deposits).

The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective Dec 20, 1994, the amount was increased from $51.9 million to $54.0 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as was the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1992	1993	1994	1994	1995					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	14,714	17,717	17,484	444	0	0	0	0	0	4,470
2 Gross sales	1,628	0	0	0	0	0	0	0	0	0
3 Exchanges	308,699	332,229	376,277	36,726	30,150	31,530	36,449	30,983	31,663	42,983
4 Redemptions	1,600	0	0	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	1,096	1,223	1,238	125	0	0	0	0	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	36,662	31,368	0	−2,430	2,835	5,872	0	0	0	0
8 Exchanges	−30,543	−36,582	−21,444	1,680	−3,167	−4,881	0	0	0	0
9 Redemptions	0	0	0	0	0	0	0	0	0	0
One to five years										
10 Gross purchases	13,118	10,350	9,168	2,208	0	0	0	2,549	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	−34,478	−27,140	−6,004	2,430	−2,145	−5,115	0	0	0	0
13 Exchanges	25,811	0	17,801	−1,680	3,167	3,031	0	0	0	0
Five to ten years										
14 Gross purchases	2,818	4,168	3,818	660	0	0	0	839	0	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	−1,915	0	−3,145	0	−690	−757	0	0	0	0
17 Exchanges	3,532	0	2,903	0	0	1,150	0	0	0	0
More than ten years										
18 Gross purchases	2,333	3,457	3,606	1,252	0	0	0	1,138	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	−269	0	−918	0	0	0	0	0	0	0
21 Exchanges	1,200	0	775	0	0	700	0	0	0	0
All maturities										
22 Gross purchases	34,079	36,915	35,314	4,689	0	0	0	4,526	0	4,470
23 Gross sales	1,628	0	0	0	0	0	0	0	0	0
24 Redemptions	1,600	767	2,337	0	621	0	0	370	0	0
Matched transactions										
25 Gross purchase	1,480,140	1,475,941	1,700,836	166,648	163,615	178,877	168,800	148,306	155,027	170,083
26 Gross sales	1,482,467	1,475,085	1,701,309	166,007	164,526	176,232	170,724	147,616	153,534	171,959
Repurchase agreements										
27 Gross purchases	378,374	475,447	309,276	29,406	32,201	1,300	22,070	36,314	35,158	40,989
28 Gross sales	386,257	470,723	311,898	26,351	39,756	3,310	16,477	39,157	34,377	28,196
29 Net change in U.S. Treasury securities	20,642	41,729	29,882	8,385	−9,087	634	3,669	2,004	2,274	15,387
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	632	774	1,002	37	91	55	83	20	30	262
Repurchase agreements										
33 Gross purchases	14,565	35,063	52,696	5,090	5,243	25	4,926	4,415	6,155	1,941
34 Gross sales	14,486	34,669	52,696	5,720	4,948	1,345	3,821	5,020	5,955	2,180
35 Net change in federal agency obligations	−554	−380	−1,002	−667	204	−1,375	1,022	−625	170	−501
36 Total net change in System Open Market Account	**20,089**	**41,348**	**28,880**	**7,718**	**−8,883**	**−741**	**4,691**	**1,379**	**2,444**	**14,886**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

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

Millions of dollars

Account	Wednesday 1995					End of month 1995		
	June 28	July 5	July 12	July 19	July 26	May 31	June 30	July 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,054	11,053	11,053	11,053	11,053	11,054	11,054	11,053
2 Special drawing rights certificate account	8,018	10,518	10,518	10,518	10,518	8,018	8,018	10,518
3 Coin	368	334	336	351	360	380	358	372
Loans								
4 To depository institutions	228	1,834	229	1,072	251	169	217	248
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	3,096	3,096	3,081	3,081	3,063	3,358	3,096	3,063
8 Held under repurchase agreements	0	0	0	0	0	700	461	0
9 **Total U.S. Treasury securities**	**375,686**	**376,967**	**373,005**	**373,179**	**368,520**	**373,578**	**388,965**	**375,524**
10 Bought outright[2]	372,540	370,538	373,005	373,179	368,520	370,047	372,641	375,524
11 Bills	181,863	179,861	182,329	182,803	178,144	179,371	181,965	185,148
12 Notes	146,998	146,998	146,998	146,698	146,698	146,998	146,998	146,698
13 Bonds	43,679	43,679	43,679	43,679	43,679	43,679	43,679	43,679
14 Held under repurchase agreements	3,146	6,429	0	0	0	3,531	16,324	0
15 **Total loans and securities**	**379,010**	**381,897**	**376,316**	**377,332**	**371,835**	**377,805**	**392,739**	**378,835**
16 Items in process of collection	5,106	4,385	5,597	5,590	5,610	8,361	4,067	1,867
17 Bank premises	1,097	1,090	1,093	1,097	1,096	1,090	1,090	1,096
Other assets								
18 Denominated in foreign currencies[3]	23,683	23,970	23,815	23,830	23,846	24,122	23,961	23,508
19 All other[4]	9,620	10,128	9,721	9,608	9,889	8,702	9,936	9,875
20 **Total assets**	**437,955**	**443,376**	**438,447**	**439,379**	**434,207**	**439,533**	**451,223**	**437,124**
LIABILITIES								
21 Federal Reserve notes	386,858	390,609	390,167	388,168	387,296	388,447	387,661	386,617
22 **Total deposits**	**33,766**	**36,499**	**30,532**	**33,701**	**30,033**	**31,718**	**46,320**	**36,171**
23 Depository institutions	25,503	28,966	23,896	27,243	23,106	26,630	24,946	24,471
24 U.S. Treasury—General account	7,721	7,059	6,164	6,002	6,433	4,646	20,977	11,206
25 Foreign—Official accounts	260	192	173	160	215	227	168	190
26 Other	282	282	300	296	278	215	242	304
27 Deferred credit items	4,635	3,300	5,122	4,992	4,398	7,187	3,723	1,665
28 Other liabilities and accrued dividends[5]	4,610	4,619	4,499	4,374	4,313	4,481	5,018	4,582
29 **Total liabilities**	**429,869**	**435,028**	**430,320**	**431,236**	**426,040**	**431,832**	**442,723**	**429,035**
CAPITAL ACCOUNTS								
30 Capital paid in	3,814	3,820	3,842	3,852	3,860	3,807	3,815	3,861
31 Surplus	3,683	3,683	3,683	3,683	3,683	3,670	3,683	3,683
32 Other capital accounts	589	845	602	608	624	222	1,002	544
33 **Total liabilities and capital accounts**	**437,955**	**443,376**	**438,447**	**439,379**	**434,207**	**439,533**	**451,223**	**437,124**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	447,726	459,901	464,871	470,039	474,534	446,653	456,421	486,368
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	466,470	466,732	467,620	468,518	469,279	465,987	466,985	469,711
36 LESS: Held by Federal Reserve Banks	79,612	76,123	77,453	80,350	81,983	77,541	79,324	83,094
37 Federal Reserve notes, net	386,858	390,609	390,167	388,168	387,296	388,447	387,661	386,617
Collateral held against notes, net								
38 Gold certificate account	11,054	11,053	11,053	11,053	11,053	11,054	11,054	11,053
39 Special drawing rights certificate account	8,018	10,518	10,518	10,518	10,518	8,018	8,018	10,518
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	367,787	369,038	368,596	366,597	365,725	369,374	368,590	365,046
42 **Total collateral**	***386,858***	***390,609***	***390,167***	***388,168***	***387,296***	***388,447***	***387,661***	***386,617***

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1995					1995		
	June 28	July 5	July 12	July 19	July 26	May 31	June 30	July 31
1 **Total loans**	**228**	**1,834**	**229**	**1,072**	**252**	**163**	**239**	**248**
2 Within fifteen days[1]	205	1,670	56	1,047	218	134	163	116
3 Sixteen days to ninety days	23	164	174	26	34	29	75	132
4 **Total U.S. Treasury securities**	**375,686**	**376,967**	**373,005**	**373,179**	**368,520**	**373,578**	**372,641**	**375,524**
5 Within fifteen days[1]	21,088	17,264	17,428	18,105	18,073	22,173	6,277	16,480
6 Sixteen days to ninety days	89,811	89,985	85,486	85,018	84,637	89,258	95,686	87,822
7 Ninety-one days to one year	114,790	120,505	120,879	121,440	117,195	112,151	121,467	123,511
8 One year to five years	86,530	85,746	85,746	85,150	85,150	86,530	85,746	84,245
9 Five years to ten years	28,511	28,511	28,511	28,511	28,511	28,511	28,511	28,511
10 More than ten years	34,955	34,955	34,955	34,955	34,955	34,955	34,955	34,955
11 **Total federal agency obligations**	**3,096**	**3,096**	**3,081**	**3,081**	**3,063**	**4,057**	**3,096**	**3,063**
12 Within fifteen days[1]	210	15	18	118	135	1,134	210	135
13 Sixteen days to ninety days	516	701	683	618	583	408	516	666
14 Ninety-one days to one year	749	759	791	791	806	790	749	723
15 One year to five years	1,179	1,179	1,147	1,112	1,098	1,284	1,179	1,098
16 Five years to ten years	417	417	417	417	417	417	417	417
17 More than ten years	25	25	25	25	25	25	25	25

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

NOTE. Total acceptances data have been deleted from this table because data are no longer available.

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

Billions of dollars, averages of daily figures

Item	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.	1994	1995						
					Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	45.54	54.35	60.50	59.34	59.34	59.12	58.92	58.55	57.96	57.76	57.35	57.66
2 Nonborrowed reserves[4]	45.34	54.23	60.42	59.13	59.13	58.99	58.86	58.48	57.85	57.61	57.08	57.29
3 Nonborrowed reserves plus extended credit[5]	45.34	54.23	60.42	59.13	59.13	58.99	58.86	58.48	57.85	57.61	57.08	57.29
4 Required reserves	44.56	53.20	59.44	58.17	58.17	57.79	57.97	57.76	57.20	56.88	56.39	56.57
5 Monetary base[6]	317.43	351.12	386.60	418 22	418.22	421.05	422.31	425.35	428.13	430.69	429.72[r]	429.59
	Not seasonally adjusted											
6 Total reserves[7]	46.98	56.06	62.37	61.13	61.13	60.52	57.72	57.62	58.93	56.82	57.13	57.49
7 Nonborrowed reserves	46.78	55.93	62.29	60.92	60.92	60.38	57.66	57.55	58.82	56.68	56.85[r]	57.12
8 Nonborrowed reserves plus extended credit[5]	46.78	55.93	62.29	60.92	60.92	60.39	57.66	57.55	58.82	56.68	56.85[r]	57.12
9 Required reserves[8]	46.00	54.90	61.31	59.96	59.96	59.18	56.78	56.83	58.18	55.95	56.16	56.40
10 Monetary base[9]	321.07	354.55	390.59	422.51	422.51	421.84	419.25	423.27	428 74	429.29	430.23	431.23
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	55.53	56.54	62.86	61.34	61.34	60.52	57.70	57.58	58.87	56.76	57.04[r]	57.39
12 Nonborrowed reserves	55.34	56.42	62.78	61.13	61.13	60.39	57.64	57.51	58.76	56.61	56.77	57.02
13 Nonborrowed reserves plus extended credit[5]	55.34	56.42	62.78	61.13	61.13	60.39	57.64	57.51	58.76	56.61	56.77	57.02
14 Required reserves	54.55	55.39	61.80	60.17	60.17	59.18	56.75	56.79	58.12	55.88	56.08	56.30
15 Monetary base[12]	333.61	360.90	397.62	427.25	427.25	426.31	423.57	427.56	432.79	433.47	434.54	435.49
16 Excess reserves[13]	.98	1.16	1.06	1.17	1.17	1.34	.95	.79	.75	.88	.96[r]	1.09
17 Borrowings from the Federal Reserve	.19	.12	.08	.21	.21	.14	.06	.07	.11	.15	.27	.37

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the impact on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

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

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

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

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

Billions of dollars, averages of daily figures

Item	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.	1995[r] Apr.	1995[r] May	1995[r] June	1995[r] July
	Seasonally adjusted							
Measures[2]								
1 M1	897.3	1,024.4	1,128.6	1,148.0	1,149.7	1,143.0	1,143.8	1,145.0
2 M2	3,457.9	3,515.3	3,583.6	3,616.2[r]	3,643.8	3,660.0	3,695.7	3,714.6
3 M3	4,176.0	4,182.9	4,242.3[r]	4,303.4[r]	4,381.1	4,410.2	4,456.7	4,489.8
4 L	4,990.9	5,061.1	5,150.1[r]	5,293.2[r]	5,452.0	5,478.4	5,533.6	n.a.
5 Debt	11,178.2	11,716.7	12,344.2[r]	12,957.6[r]	13,202.6	13,267.0	13,337.9	n.a.
M1 components								
6 Currency[3]	267.4	292 8	322.1	354.5	365.7	368.1	367.4	367.1
7 Travelers checks[4]	7.7	8.1	7.9	8.4	9.2	9.2	9.0	8.9
8 Demand deposits[5]	289.5	338.9	383.9	382.2	381.2	380.6	386.8	389.5
9 Other checkable deposits[6]	332.7	384.6	414.7	402.9	393.6	385.0	380.6	379.5
Nontransaction components								
10 In M2[7]	2,560.6	2,490.9	2,455.0	2,468.2[r]	2,494.0	2,517.0	2,551.9	2,569.6
11 In M3[8] only	718.1	667.6	658.7[r]	687.2[r]	737.3	750.2	761.0	775.2
Commercial banks								
12 Savings deposits, including MMDAs	665.6	754.7	785.8	752.3	716.0	717.2	728.1	730.7
13 Small time deposits[9]	602.5	508.1	468.6	502.6[r]	548.1	556.2	562.4	566.7
14 Large time deposits[10, 11]	333.3	286.7	271.2	296.6[r]	309.1	315.6	319.1	326.8
Thrift institutions								
15 Savings deposits, including MMDAs	375.6	428.9	429.8	391.9	366.4	364.1	363.0	360.7
16 Small time deposits[9]	464.1	361.1	316.5	317.7	348.7	354.5	355.1	355.0
17 Large time deposits[10]	83.3	67.1	61.6	64.9	71.2	70.4	70.8	72.6
Money market mutual funds								
18 General purpose and broker–dealer	374.2	356.9	360.1	389.0	396.0	405.3	425.9	441.5
19 Institution-only	180.0	200.2	198.1	180.8	192.9	194.8	205.6	212.4
Debt components								
20 Federal debt	2,763.3	3,067.9	3,328.0	3,497.4	3,559.5	3,577.0	3,602.0	n.a.
21 Nonfederal debt	8,414.8	8,648.8	9,016.3[r]	9,460.2[r]	9,643.1	9,690.0	9,735.9	n.a.
	Not seasonally adjusted							
Measures[2]								
22 M1	916.0	1,046.0	1,153.7	1,173.7	1,158.7	1,132.1	1,139.2	1,144.0
23 M2	3,472.7	3,533.6	3,606.1	3,639.7[r]	3,660.1	3,647.6	3,691.2	3,714.0
24 M3	4,189.4	4,201.4	4,266.1[r]	4,329.4[r]	4,392.8	4,399.9	4,450.3	4,483.1
25 L	5,015 5	5,090.8	5,184.7[r]	5,330.9[r]	5,462.1	5,457.1	5,521.6	n.a.
26 Debt	11,175.5	11,719.5	12,336.4[r]	12,949.3[r]	13,135.7	13,179.5	13,280.6	n.a.
M1 components								
27 Currency[3]	269.9	295.0	324.8	357.6	365.5	367.9	368.1	369.0
28 Travelers checks[4]	7.4	7.8	7.6	8.1	8.8	8.9	9.2	9.5
29 Demand deposits[5]	302.4	354.4	401.8	400.3	382.0	372.9	382.6	388.7
30 Other checkable deposits[6]	336.3	388.9	419.4	407.6	402.4	382.4	379.2	376.8
Nontransaction components								
31 In M2[7]	2,556.6	2,487.7	2,452.5[r]	2,466.1[r]	2,501.4	2,515.5	2,552.0	2,570.0
32 In M3[8]	716.7	667.7	660.0[r]	689.7[r]	732.7	752.3	759.1	769.1
Commercial banks								
33 Savings deposits, including MMDAs	664.0	752.9	784.3	751.1	717.8	717.8	730.2	732.6
34 Small time deposits[9]	601.9	507.8	468.2	502.2[r]	547.5	555.1	562.0	567.5
35 Large time deposits[10, 11]	332.6	286.2	270.8	296.3[r]	306.9	318.1	320.6	325.4
Thrift institutions								
36 Savings deposits, including MMDAs	374.8	427.9	429.0	391.2	367.3	364.4	364.1	361.6
37 Small time deposits[9]	463.7	360.9	316.2	317.4	348.3	353.8	354.8	355.4
38 Large time deposits[10]	83.1	67.0	61.5	64.8	70.7	70.9	71.1	72.3
Money market mutual funds								
39 General purpose and broker–dealer	372.2	355.1	358.3	387.1	404.8	407.8	423.6	438.4
40 Institution-only	180.8	201.7	200.0	183.1	191.3	193.8	199.2	206.6
Repurchase agreements and Eurodollars								
41 Overnight and continuing	79.9	83.2	96.5	117.1[r]	115.7	116.5	117.3	114.5
42 Term	132.7	127.8	143.9[r]	157.9[r]	176.3	182.3	181.5	178.2
Debt components								
43 Federal debt	2,765.0	3,069.8	3,329.5	3,499.0	3,544.1	3,552.6	3,579.3	n.a.
44 Nonfederal debt	8,410.5	8,649.7	9,006.9[r]	9,450.3[r]	9,591.6	9,626.9	9,701.3	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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

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

M2: M1 plus (1) overnight (and continuing contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker-dealer money market funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by *U.S. commercial banks, money market funds (general purpose and broker–dealer), foreign* governments and commercial banks, and the U.S. government. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of $100,000 or more) issued by all depository institutions, (2) term Eurodollars held by U.S residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and (3) balances in both taxable and tax-exempt, institution-only money market funds. *Excludes amounts held by depository institutions, the U.S. govern*ment, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

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

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

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

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

7. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker–dealer), (3) savings deposits (including MMDAs), and (4) small time deposits

8. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

9. *Small time deposits—including retail RPs—are those issued in amounts of less* than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

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

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1992 Dec	1993 Dec.	1994 Nov.	1994 Dec.	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June[r]	1995 July
	Interest rates (annual effective yields)[2]										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	2.33	1.86	1.92	1.96	1.98	2.01	2.00	1.95	1.96	1.94	1.90
2 Savings deposits[3]	2.88	2.46	2.81	2.91	2.98	3.09	3.14	3.17	3.20	3.19	3.15
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	2.90	2.65	3.65	3.81	3.96	4.19	4.24	4.28	4.25	4.19	4.17
4 92 to 182 days	3.16	2.91	4.22	4.44	4.67	4.83	4.97	4.94	4.93	4.81	4.77
5 183 days to 1 year	3.37	3.13	4.85	5.12	5.39	5.57	5.60	5.60	5.49	5.27	5.18
6 More than 1 year to 2½ years	3.88	3.55	5.42	5.74	6.00	6.12	6.12	6.05	5.83	5.53	5.38
7 More than 2½ years	4.77	4.29	6.09	6.30	6.47	6.52	6.45	6.37	6.11	5.79	5.62
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts	2.45	1.87	1.91	1.95	1.99	2.04	1.99	1.99	2.00	1.98	1.96
9 Savings deposits[3]	3.20	2.63	2.83	2.88	2.91	2.95	2.94	2.93	2.95	2.97	2.97
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	3.13	2.70	3.51	3.80	3.98	4.17	4.21	4.18	4.24	4.24	4.29
11 92 to 182 days	3.44	3.02	4.42	4.89	5.13	5.33	5.37	5.38	5.31	5.22	5.16
12 183 days to 1 year	3.61	3.31	5.18	5.52	5.75	5.94	5.94	5.87	5.83	5.61	5.47
13 More than 1 year to 2½ years	4.02	3.66	5.70	6.09	6.29	6.37	6.32	6.25	6.08	5.78	5.62
14 More than 2½ years	5.00	4.62	6.18	6.43	6.68	6.75	6.68	6.59	6.32	5.98	5.82
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	286,541	305,223	294,282	303,724	291,355	290,188	292,811	286,987	274,281	274,573	272,355
16 Savings deposits[3]	738,253	766,413	746,605	734,519	723,295	714,955	713,440	698,963	714,989	718,393	723,120
17 Personal	578,757	597,838	584,628	578,459	569,619	564,877	564,086	550,674	560,563	563,795	567,519
18 Nonpersonal	159,496	168,575	161,977	156,060	153,676	150,078	149,354	148,289	154,426	154,599	155,601
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	38,474	29,455	31,077	32,375	32,154	31,777	31,623	31,530	31,472	32,140	33,030
20 92 to 182 days	127,831	110,069	94,692	95,901	96,895	98,248	95,583	94,368	93,188	91,999	91,618
21 183 days to 1 year	163,098	146,565	159,645	161,831	163,939	169,103	176,657	179,625	184,560	187,185	187,334
22 More than 1 year to 2½ years	152,977	141,223	158,382	162,486	168,515	176,877	183,275	189,652	194,963	198,541	202,072
23 More than 2½ years	169,708	181,528	189,741	190,897	190,215	191,383	194,722	194,426	192,542	195,024	195,069
24 IRA and Keogh plan deposits	147,350	143,985	143,075	143,428	143,900	145,040	145,959	146,679	146,842	148,894	149,374
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts	10,871	11,151	11,002	11,317	11,127	10,950	11,218	11,005	11,019	11,354	11,260
26 Savings deposits[3]	81,786	80,115	72,622	70,642	71,639	69,982	68,595	67,453	67,322	67,185	66,639
27 Personal	78,695	77,035	69,412	67,673	68,760	67,144	65,692	64,204	64,484	63,966	63,463
28 Nonpersonal	3,091	3,079	3,211	2,969	2,878	2,837	2,902	3,248	2,838	3,219	3,176
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	3,867	2,793	2,209	2,166	2,041	2,086	1,943	1,780	1,885	1,567	1,795
30 92 to 182 days	17,345	12,946	11,913	11,793	12,084	11,953	11,707	11,245	11,449	11,025	11,107
31 183 days to 1 year	21,780	17,426	18,509	18,753	19,336	19,979	20,277	21,051	20,956	21,702	22,165
32 More than 1 year to 2½ years	18,442	16,546	17,999	17,842	20,460	21,870	22,648	23,445	24,014	24,658	25,115
33 More than 2½ years	18,845	20,464	21,687	21,600	21,888	22,275	22,446	22,671	22,819	22,935	22,876
34 IRA and Keogh plan accounts	21,713	19,356	19,532	19,325	19,802	20,099	20,221	20,388	20,236	20,499	20,549

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks

2. As of October 31, 1994, interest rate data for NOW accounts and savings deposits reflect a series break caused by a change in the survey used to collect these data.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of deposit	1992[2]	1993[2r]	1994[2r]	1994 Dec[r]	1995[1] Jan.	1995[1] Feb.	1995[1] Mar.	1995[1] Apr.	1995[1] May
DEBITS	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	313,128.1	334,784.1	369,029.1	373,175.2	369,875.1	384,139.7	393,325.8	362,532.4	418,151.4
2 Major New York City banks	165,447.7	171,224.3	191,168.8	187,961.2	183,454.5	195,129.3	197,666.4	185,751.6	217,465.1
3 Other banks	147,680.4	163,559.7	177,860.3	185,214.0	186,420.6	189,010.4	195,659.4	176,780.8	200,686.3
4 Other checkable deposits[4]	3,780.3	3,481.5	3,798.6	4,137.4	4,017.2	3,918.2	4,044.4	3,666.0	4,167.3
5 Savings deposits (including MMDAs)[5]	3,309.1	3,497.4	3,766.3	4,068.5	3,922.7	3,989.8	3,889.3	3,565.7	4,021.9
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	825.9	785.9	817.4	826.2	821.3	857.0	880.4	807.4	934.4
7 Major New York City banks	4,795.3	4,198.1	4,481.5	4,490.8	4,338.3	4,662.0	4,754.1	4,551.2	5,168.0
8 Other banks	428.7	424.6	435.1	451.9	456.8	465.1	482.9	433.1	495.0
9 Other checkable deposits[4]	14.4	11.9	12.6	14.0	13.6	13.4	13.9	12.6	14.7
10 Savings deposits (including MMDAs)[5]	4.7	4.6	4.9	5.5	5.4	5.5	5.4	5.0	5.6
DEBITS	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	313,344.9	334,899.2	369,121.8	386,421.5	368,837.1	355,792.7	412,197.5	357,566.4	407,775.8
12 Major New York City banks	165,595.0	171,283.5	191,226.1	194,120.1	181,602.7	181,697.8	209,255.5	180,169.1	207,259.8
13 Other banks	147,749.9	163,615.7	177,895.7	192,301.4	187,234.4	174,094.9	202,942.0	177,397.3	200,516.0
14 Other checkable deposits[4]	3,783.6	3,481.7	3,795.6	4,301.1	4,361.7	3,609.9	4,083.5	3,874.0	4,003.7
15 Savings deposits (including MMDAs)[5]	3,310.0	3,498.3	3,764.4	4,282.0	4,100.6	3,611.3	3,989.3	3,727.1	3,981.8
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	826.1	786.1	818.2	820.4	802.0	812.2	946.4	796.2	927.7
17 Major New York City banks	4,803.5	4,197.9	4,490.3	4,343.4	4,128.1	4,334.9	5,145.1	4,459.5	5,095.1
18 Other banks	428.8	424.8	435.3	451.1	450.2	439.5	513.9	434.1	502.7
19 Other checkable deposits[4]	14.4	11.9	12.6	14.3	14.5	12.3	14.0	13.0	14.3
20 Savings deposits (including MMDAs)[5]	4.7	4.6	4.9	5.8	5.6	5.0	5.6	5.2	5.6

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.

2. Annual averages of monthly figures.

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

4. As of January 1994, other checkable deposits (OCDs), previously defined as automatic transfer to demand deposits (ATSs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.

5. Money market deposit accounts.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1994	1995[r]							1995			
	July	Jan.	Feb.	Mar	Apr.	May	June	July	July 5	July 12	July 19	July 26
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted											
Assets												
1 Bank credit	3,256.2	3,348.7	3,362.1	3,387.0	3,452.8	3,478.9	3,493.4	3,503.1	3,492.4	3,502.9	3,505.3	3,506.8
2 Securities in bank credit	975.6	945.6	937.4	942.2	984.5	981.3	980.9	968.7	972.1	971.8	969.6	966.4
3 U.S. government securities	751.5	721.8	717.1	705.1	704.0	706.7	705.9	698.3	700.0	699.1	697.0	698.0
4 Other securities	224.1	223.8	220.2	237.0	280.5	274.6	274.9	270.4	272.1	272.7	272.6	268.4
5 Loans and leases in bank credit[2]	2,280.5	2,403.2	2,424.8	2,444.9	2,468.3	2,497.6	2,512.6	2,534.3	2,520.3	2,531.0	2,535.7	2,540.4
6 Commercial and industrial	618.8	657.2	668.9	672.0	678.4	686.4	688.9	692.9	692.5	692.2	692.1	692.2
7 Real estate	965.6	1,015.1	1,022.7	1,028.3	1,035.6	1,039.9	1,047.1	1,056.7	1,052.7	1,056.4	1,057.9	1,057.7
8 Revolving home equity	74.0	76.7	77.0	77.3	78.0	78.7	79.3	79.7	79.8	79.9	79.9	79.8
9 Other	891.6	938.4	945.7	951.1	957.6	961.1	967.8	977.0	972.8	976.5	978.0	977.9
10 Consumer	423.1	457.4	459.6	465.2	471.2	473.0	478.2	481.5	479.3	480.5	482.0	482.5
11 Security[3]	77.2	68.6	67.8	69.7	72.9	84.2	85.0	83.1	79.6	84.7	83.8	85.0
12 Other	195.8	204.8	205.8	209.6	210.2	214.0	213.4	220.2	216.2	217.3	219.9	223.1
13 Interbank loans[4]	159.8	179.0	177.8	180.2	178.5	183.7	187.5	194.8	194.2	191.9	193.3	195.5
14 Cash assets[5]	211.6	219.4	216.0	206.9	207.8	210.2	210.6	213.1	220.6	210.1	206.7	218.2
15 Other assets[6]	226.1	236.7	242.2	241.3	213.4	213.8	213.7	222.2	219.9	222.0	223.2	223.6
16 **Total assets**[7]	**3,796.5[r]**	**3,927.1**	**3,941.6**	**3,959.1**	**3,995.4**	**4,029.5**	**4,047.9**	**4,075.6**	**4,069.4**	**4,069.3**	**4,071.0**	**4,086.7**
Liabilities												
17 Deposits	2,514.7	2,544.1	2,547.2	2,548.2	2,555.8	2,570.1	2,589.7	2,613.4	2,604.7	2,609.6	2,600.5	2,632.3
18 Transaction	811.2[r]	808.3	804.6	795.3	791.1	788.2	785.0	797.0	804.9	794.9	785.4	809.9
19 Nontransaction	1,703.5[r]	1,735.7	1,742.6	1,752.9	1,764.7	1,781.9	1,804.7	1,816.4	1,799.8	1,814.7	1,815.1	1,822.4
20 Large time	338.7	367.0	374.2	380.5	386.0	389.8	392.5	398.0	384.8	395.7	399.1	403.4
21 Other	1,364.8[r]	1,368.8	1,368.5	1,372.4	1,378.7	1,392.0	1,412.2	1,418.4	1,415.0	1,419.0	1,416.1	1,419.0
22 Borrowings	577.9[r]	641.5	643.5	648.5	672.4	678.0	664.8	682.0	677.7	678.9	682.4	679.1
23 From banks in the U.S.	160.0	181.1	178.5	182.0	181.2	183.2	184.8	197.9	195.6	194.5	198.7	196.9
24 From nonbanks in the U.S.	417.9[r]	460.4	465.1	466.5	491.2	494.8	480.1	484.1	482.2	484.4	483.8	482.2
25 Net due to related foreign offices	197.3	244.7	252.6	241.2	234.6	239.4	245.1	236.8	243.1	235.6	246.5	229.0
26 Other liabilities[8]	182.5[r]	174.7	178.8	196.0	208.3	205.9	205.4	196.1	198.4	199.0	196.7	194.3
27 **Total liabilities**	**3,472.4[r]**	**3,604.9**	**3,622.2**	**3,633.8**	**3,671.1**	**3,693.4**	**3,705.0**	**3,728.3**	**3,724.0**	**3,723.1**	**3,726.1**	**3,734.7**
28 Residual (assets less liabilities)[9]	324.0[r]	322.1	319.4	325.3	324.3	336.1	342.9	347.3	345.4	346.2	344.9	352.0
	Not seasonally adjusted											
Assets												
29 Bank credit	3,244.1	3,344.8	3,358.0	3,387.5	3,454.0	3,470.8	3,490.2	3,490.5	3,491.1	3,486.7	3,490.6	3,487.0
30 Securities in bank credit	970.8	939.6	936.1	949.9	991.2	983.0	981.5	964.2	968.7	965.2	963.0	962.3
31 U.S. government securities	747.3[r]	715.6	712.8	710.1	708.3	705.9	705.5	694.5	696.6	694.4	692.6	693.5
32 Other securities	223.5	224.0	223.3	239.8	282.8	277.1	276.0	269.7	272.1	270.8	270.4	268.9
33 Loans and leases in bank credit[2]	2,273.3	2,405.2	2,421.9	2,437.6	2,462.8	2,487.8	2,508.7	2,526.2	2,522.4	2,521.4	2,527.5	2,524.7
34 Commercial and industrial	618.1	653.9	667.5	675.2	682.8	689.5	690.8	692.2	696.4	690.9	691.5	689.4
35 Real estate	965.1	1,013.4	1,018.8	1,023.5	1,031.4	1,038.2	1,046.9	1,056.1	1,053.2	1,056.5	1,057.1	1,056.1
36 Revolving home equity	74.0	76.6	76.7	76.6	77.4	78.6	79.3	79.7	79.9	79.8	79.9	79.9
37 Other	891.1	936.8	942.2	946.9	954.0	959.6	967.6	976.3	973.3	976.7	977.2	976.3
38 Consumer	421.0	462.1	460.9	461.7	468.0	471.5	475.6	479.2	476.0	477.4	479.6	481.0
39 Security[3]	72.7	70.8	71.0	70.9	73.7	78.7	81.2	78.2	75.5	78.8	78.9	78.4
40 Other	196.4	205.0	203.7	206.3	206.9	209.9	214.1	220.6	221.4	217.8	220.5	219.8
41 Interbank loans[4]	156.7	185.9	179.9	178.4	178.0	178.3	184.6	190.8	200.5	187.0	186.7	184.8
42 Cash assets[5]	208.5	224.8	212.6	201.3	204.1	207.7	208.7	210.0	239.2	204.3	200.7	201.7
43 Other assets[6]	225.5	236.6	239.9	236.7	209.8	213.1	212.3	221.7	224.0	220.4	220.5	220.6
44 **Total assets**[7]	**3,778.3[r]**	**3,935.6**	**3,933.8**	**3,947.3**	**3,989.2**	**4,012.8**	**4,038.6**	**4,055.9**	**4,097.8**	**4,041.3**	**4,041.5**	**4,037.1**
Liabilities												
45 Deposits	2,505.8[r]	2,548.0	2,537.9	2,538.4	2,558.7	2,561.1	2,586.9	2,604.2	2,645.7	2,599.1	2,582.1	2,587.9
46 Transaction	802.0[r]	818.6	795.7	783.1	795.9	777.0	779.4	787.7	845.0	782.5	767.5	767.9
47 Nontransaction	1,703.9[r]	1,729.3	1,742.2	1,755.3	1,762.8	1,784.0	1,807.5	1,816.5	1,800.7	1,816.6	1,814.6	1,820.0
48 Large time	338.3	363.7	374.4	381.7	384.6	394.1	395.0	397.4	382.0	395.0	398.4	404.0
49 Other	1,365.6[r]	1,365.6	1,367.8	1,373.6	1,378.2	1,390.0	1,412.5	1,419.2	1,418.7	1,421.6	1,416.2	1,416.0
50 Borrowings	581.0[r]	634.4	639.6	637.7	654.8	664.3	671.3	680.7	681.6	673.5	681.5	674.4
51 From banks in the U.S.	156.8	185.9	179.7	178.3	177.7	178.0	184.5	194.1	201.0	191.0	190.7	188.7
52 From nonbanks in the U.S.	424.3[r]	448.5	459.9	459.4	477.1	486.3	486.8	486.5	480.6	482.5	490.8	485.7
53 Net due to related foreign offices	194.3	251.3	249.7	245.1	237.1	245.4	239.2	234.3	234.4	230.8	239.9	238.9
54 Other liabilities[8]	180.2[r]	177.5	179.5	195.1	203.5	204.2	200.9	193.5	195.0	194.8	193.3	192.3
55 **Total liabilities**	**3,461.4[r]**	**3,611.2**	**3,606.7**	**3,616.3**	**3,654.2**	**3,674.9**	**3,698.3**	**3,712.6**	**3,756.7**	**3,698.2**	**3,696.9**	**3,693.5**
56 Residual (assets less liabilities)[9]	316.9[r]	324.5	327.1	330.9	335.0	338.0	340.4	343.3	341.1	343.1	344.6	343.6

Footnotes appear on last page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]—Continued

Billions of dollars

	Account	Monthly averages								Wednesday figures			
		1994	1995[r]							1995			
		July	Jan.	Feb.	Mar.	Apr.	May	June	July	July 5	July 12	July 19	July 26
	DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
	Assets												
57	Bank credit	2,906.4[r]	2,997.6	3,001.3	3,020.7	3,053.8	3,075.8	3,090.0	3,100.1	3,093.9	3,100.6	3,101.5	3,101.9
58	Securities in bank credit	892.9	864.3	848.8	852.7	862.2	859.1	856.2	847.2	850.7	847.6	848.5	846.2
59	U.S. government securities	692.2	668.5	657.1	646.8	643.8	644.7	643.5	638.3	638.7	637.7	638.2	639.0
60	Other securities	200.8[r]	195.9	191.6	205.9	218.4	214.4	212.7	208.9	212.0	210.0	210.3	207.2
61	Loans and leases in bank credit[2]	2,013.4	2,133.3	2,152.6	2,168.1	2,191.6	2,216.7	2,233.8	2,252.9	2,243.2	2,252.9	2,253.0	2,255.7
62	Commercial and industrial	461.3	492.3	499.4	502.7	510.8	516.7	519.0	523.4	523.2	522.8	523.0	522.9
63	Real estate	922.7	974.5	982.6	988.8	997.4	1,002.3	1,009.9	1,020.3	1,016.1	1,019.9	1,021.3	1,021.5
64	Revolving home equity	74.0	76.7	77.0	77.2	77.9	78.7	79.3	79.7	79.8	79.9	79.9	79.8
65	Other	848.7	897.9	905.6	911.6	919.4	923.6	930.6	940.6	936.3	940.0	941.5	941.7
66	Consumer	423.1	457.4	459.6	465.2	471.2	473.0	478.2	481.5	479.3	480.5	482.0	482.5
67	Security[3]	47.6	45.5	46.5	45.9	45.4	54.0	55.5	52.2	50.3	54.7	52.7	51.5
68	Other	158.7	163.5	164.4	165.5	166.8	170.6	171.1	175.5	174.2	175.1	174.0	177.2
69	Interbank loans[4]	133.7	155.0	155.1	156.4	157.2	160.2	164.8	172.7	174.8	168.8	171.3	173.1
70	Cash assets[5]	185.5	192.2	190.2	180.9	181.2	181.5	183.4	186.3	193.9	183.4	180.1	190.9
71	Other assets[6]	169.9	171.6	173.1	167.6	164.9	163.7	164.8	168.0	166.0	168.2	168.5	168.6
72	**Total assets[7]**	**3,338.5**	**3,459.5**	**3,463.3**	**3,469.3**	**3,500.2**	**3,524.2**	**3,545.8**	**3,569.6**	**3,571.0**	**3,563.5**	**3,564.0**	**3,577.0**
	Liabilities												
73	Deposits	2,371.5[r]	2,390.4	2,395.9	2,394.1	2,396.7	2,407.4	2,422.7	2,444.7	2,446.8	2,441.5	2,432.8	2,459.1
74	Transaction	801.1[r]	798.3	794.4	784.6	780.7	778.1	774.8	786.6	794.3	785.0	774.7	799.3
75	Nontransaction	1,570.4[r]	1,592.1	1,601.5	1,609.6	1,616.0	1,629.3	1,647.8	1,658.1	1,652.4	1,656.5	1,658.2	1,659.8
76	Large time	209.4	226.9	236.0	240.6	241.7	244.0	244.1	244.9	243.0	244.6	246.3	245.1
77	Other	1,361.0[r]	1,365.2	1,365.5	1,369.0	1,374.3	1,385.3	1,403.7	1,413.1	1,409.5	1,411.9	1,411.9	1,414.8
78	Borrowings	469.4[r]	541.5	540.2	537.7	561.0	565.9	559.1	570.9	565.7	569.5	574.1	564.5
79	From banks in the U.S.	141.0	164.7	161.5	164.4	162.4	163.0	167.8	180.5	176.4	176.5	182.8	180.1
80	From nonbanks in the U.S.	328.4[r]	376.8	378.7	373.3	398.6	402.9	391.3	390.4	389.3	393.0	391.3	384.4
81	Net due to related foreign offices	45.1	91.2	87.8	84.8	81.8	83.5	90.2	82.1	84.1	79.5	86.7	82.6
82	Other liabilities[8]	135.7[r]	119.9	121.2	131.6	143.3	139.5	139.1	131.3	132.6	132.7	132.2	131.0
83	**Total liabilities**	**3,021.7[r]**	**3,143.0**	**3,145.1**	**3,148.3**	**3,182.8**	**3,196.3**	**3,211.1**	**3,229.0**	**3,229.1**	**3,223.2**	**3,225.8**	**3,237.1**
84	Residual (assets less liabilities)[9]	316.7[r]	316.5	318.2	321.0	317.4	327.9	334.7	340.6	341.8	340.4	338.2	339.9
		Not seasonally adjusted											
	Assets												
85	Bank credit	2,897.4	2,988.6	2,996.7	3,020.0	3,058.1	3,074.3	3,090.9	3,090.4	3,094.1	3,088.9	3,089.0	3,085.7
86	Securities in bank credit	889.1	856.9	847.9	859.5	870.1	861.5	859.3	843.6	848.9	843.5	842.8	841.6
87	U.S. government securities	688.9	661.0	654.0	651.2	649.1	645.5	644.4	635.3	636.7	635.0	634.2	634.3
88	Other securities	200.2	195.9	193.9	208.3	220.9	216.0	214.9	208.3	212.2	208.5	208.7	207.3
89	Loans and leases in bank credit[2]	2,008.3	2,131.7	2,148.8	2,160.6	2,188.0	2,212.7	2,231.6	2,246.8	2,245.2	2,245.4	2,246.1	2,244.1
90	Commercial and industrial	460.3[r]	488.8	498.9	505.4	515.1	520.6	520.9	522.2	525.4	521.4	521.5	520.1
91	Real estate	922.3	973.0	978.6	983.9	993.5	1,000.7	1,009.7	1,019.8	1,016.7	1,020.1	1,020.5	1,020.0
92	Revolving home equity	74.0	76.6	76.6	76.5	77.4	78.6	79.3	79.7	79.8	79.8	79.9	79.8
93	Other	848.3	896.4	902.0	907.3	916.1	922.2	930.4	940.0	936.9	940.3	940.6	940.2
94	Consumer	421.0	462.1	460.9	461.7	468.0	471.5	475.6	479.2	476.0	477.4	479.6	481.0
95	Security[3]	45.8	44.9	47.8	46.6	46.8	51.9	54.3	50.1	48.9	51.6	50.6	48.7
96	Other	159.0	162.9	162.6	163.0	164.6	168.0	171.2	175.6	178.2	174.8	174.0	174.4
97	Interbank loans[4]	130.3	160.4	158.1	155.8	157.0	155.3	163.2	168.4	180.9	163.9	165.6	161.0
98	Cash assets[5]	182.4	198.0	187.8	175.9	178.3	180.3	181.0	183.0	211.8	177.7	174.0	174.3
99	Other assets[6]	170.2	171.0	170.9	164.6	162.6	163.0	164.1	168.3	171.1	167.6	166.7	166.5
100	**Total assets[7]**	**3,323.8**	**3,461.6**	**3,456.9**	**3,459.8**	**3,499.3**	**3,515.9**	**3,542.0**	**3,553.2**	**3,600.9**	**3,541.1**	**3,538.3**	**3,530.6**
	Liabilities												
101	Deposits	2,362.7[r]	2,394.7	2,385.9	2,382.5	2,400.9	2,396.4	2,416.8	2,435.8	2,488.2	2,432.3	2,414.2	2,414.0
102	Transaction	791.9[r]	808.5	785.5	772.8	786.0	767.4	769.4	777.3	834.0	772.6	756.7	757.4
103	Nontransaction	1,570.9[r]	1,586.3	1,600.4	1,609.6	1,614.9	1,629.0	1,647.4	1,658.4	1,654.3	1,659.7	1,657.5	1,656.6
104	Large time	209.4	224.7	236.2	239.4	241.0	245.6	243.7	245.0	240.9	244.9	246.1	246.0
105	Other	1,361.5[r]	1,361.6	1,364.2	1,370.2	1,373.9	1,383.4	1,403.7	1,413.4	1,413.4	1,414.8	1,411.4	1,410.6
106	Borrowings	470.1[r]	535.2	538.8	528.7	543.5	556.5	563.8	567.1	564.8	561.5	569.4	561.3
107	From banks in the U.S.	137.5	168.8	163.2	160.7	160.0	159.7	167.4	176.5	179.6	172.5	175.0	173.0
108	From nonbanks in the U.S.	332.6[r]	366.4	375.6	367.9	383.5	396.7	396.4	390.6	385.2	389.0	394.4	388.3
109	Net due to related foreign offices	44.7	89.9	88.5	89.7	84.1	91.8	89.6	81.7	79.2	77.3	85.1	87.2
110	Other liabilities[8]	134.6[r]	121.7	120.9	132.0	140.2	137.5	135.4	130.3	131.4	130.8	130.9	130.3
111	**Total liabilities**	**3,012.2[r]**	**3,141.6**	**3,134.1**	**3,132.8**	**3,168.7**	**3,182.1**	**3,205.7**	**3,214.8**	**3,263.6**	**3,201.8**	**3,199.5**	**3,192.8**
112	Residual (assets less liabilities)[9]	311.6[r]	320.0	322.8	326.9	330.6	333.7	336.4	338.3	337.2	339.3	338.8	337.8

Footnotes appear on following page.

NOTES TO TABLE 1.26

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks; New York State investment companies, and Edge Act and agreement corporations (foreign-related institutions). Excludes international banking facilities. Data are Wednesday values, or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

3. Consists of reserve repurchase agreements with broker-dealers and loans to purchase and carry securities.

4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.

6. Excludes the due-from position with related foreign offices, which is included in lines 25, 53, 81, and 109.

7. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

8. Excludes the due-to position with related foreign offices, which is included in lines 25, 53, 81, and 109.

9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1995[r]								
	May 31	June 7	June 14	June 21	June 28	July 5	July 12	July 19	July 26
ASSETS									
1 Cash and balances due from depository institutions	132,771	111,792	113,901	116,232	109,037[r]	133,163	109,824	107,716	109,147
2 U.S. Treasury and government securities	303,389	305,870	303,419	300,719	295,435	295,224	292,889	292,969	293,094
3 *Trading account*	24,832	27,474	26,576	22,574	20,888	17,937	17,817	17,755	17,243
4 Investment account	278,557	278,396	276,842	278,145	274,547	277,287	275,073	275,214	275,851
5 Mortgage-backed securities[1]	97,283[r]	97,496[r]	96,807[r]	97,477[r]	96,687[r]	98,310	98,116	97,066	97,984
All others, by maturity									
6 One year or less	46,704	47,353[r]	46,778[r]	46,475	44,623	45,268	44,089	44,615	44,866
7 One year through five years	72,655[r]	72,368[r]	71,842[r]	73,044[r]	72,433[r]	72,762	72,574	73,045	72,636
8 More than five years	61,915	61,179	61,416[r]	61,149	60,804	60,948	60,294	60,488	60,365
9 Other securities	130,293	130,484	132,364	130,966	127,795	127,747	123,951	124,374	122,803
10 Trading account	1,392	1,418	1,477	1,487	1,660	2,192	1,448	1,329	1,466
11 Investment account	63,012	62,875	63,655	63,014	62,539	62,421	62,486	61,691	61,741
12 State and local government, by maturity	21,055	20,842	20,843	20,839	20,600	19,825	19,863	19,788	19,842
13 One year or less	5,607	5,603	5,590	5,601	5,573	4,972	5,037	5,061	5,122
14 More than one year	15,449	15,239	15,253	15,239	15,026	14,854	14,825	14,728	14,719
15 Other bonds, corporate stocks, and securities	41,956	42,033	42,812	42,175	41,939	42,595	42,623	41,903	41,899
16 Other trading account assets	65,889	66,191	67,232	66,465	63,596	63,135	60,017	61,353	59,596
17 Federal funds sold[2]	110,584	111,104	113,505	104,656	103,240	116,347	102,357	106,370	100,381
18 To commercial banks in the United States	67,921	67,716	70,843	68,225	65,807	83,128	64,684	69,256	66,377
19 To nonbank brokers and dealers in securities	32,484	37,069	36,353	29,581	30,755	27,282	31,483	30,816	28,095
20 To others[3]	10,179	6,319	6,309	6,850	6,677	5,937	6,190	6,299	5,909
21 Other loans and leases, gross	1,224,565	1,223,268	1,223,610	1,226,473	1,228,699	1,242,896	1,236,559	1,236,265	1,236,810
22 Commercial and industrial	344,509[r]	342,802[r]	342,380[r]	343,478[r]	342,501[r]	346,328	342,909	343,215	341,875
23 Bankers acceptances and commercial paper	1,786	1,691	1,830	1,606	1,580	1,527	1,565	1,560	1,504
24 All other	342,723[r]	341,111[r]	340,550[r]	341,872[r]	340,921[r]	344,802	341,344	341,655	340,371
25 U.S. addressees	340,034[r]	338,493[r]	337,893[r]	339,312[r]	338,377[r]	342,224	338,715	338,955	337,692
26 Non-U.S. addressees	2,689	2,618	2,657	2,560	2,544	2,578	2,629	2,700	2,679
27 Real estate loans	481,264	483,872	483,940	484,972	485,778	489,384	491,531	491,594	491,116
28 Revolving, home equity	48,555	48,503	48,606	48,667	48,809	49,005	48,993	49,026	49,072
29 All other	432,709	435,369	435,334	436,305	436,969	440,379	442,538	442,568	442,044
30 To individuals for personal expenditures	244,520	244,797	245,595	243,567	245,313	245,272	242,300	243,718	244,886
31 To depository and financial institutions	57,808	59,404[r]	59,491[r]	59,749	61,089	62,754	66,204	63,738	63,784
32 Commercial banks in the United States	37,083	37,638	38,141	38,663	39,219	39,633	42,515	41,685	41,690
33 Banks in foreign countries	3,144	3,635	3,374	3,067	3,203	3,806	4,265	2,721	2,787
34 Nonbank depository and other financial institutions	17,580	18,130[r]	17,976[r]	18,019	18,668	19,315	19,425	19,332	19,307
35 For purchasing and carrying securities	17,550	14,663	14,899	17,440	15,483	15,804	14,414	14,166	15,009
36 To finance agricultural production	6,500	6,475	6,491	6,555	6,559	6,622	6,689	6,665	6,669
37 To states and political subdivisions	11,139	11,089	11,073	11,177	11,164	11,115	11,063	11,073	11,149
38 To foreign governments and official institutions	1,040	928	908	989	863	897	895	923	1,069
39 All other loans[4]	26,017	24,956[r]	24,463[r]	24,106	25,288	29,642	25,083	25,760	25,734
40 Lease-financing receivables	34,217[r]	34,284[r]	34,369[r]	34,440[r]	34,663[r]	35,079	35,471	35,412	35,517
41 LESS: Unearned income	1,646	1,676	1,688	1,689	1,675	1,686	1,678	1,673	1,642
42 Loan and lease reserve[5]	34,490	34,613	34,621	34,573	34,400	34,267	34,209	34,211	34,149
43 Other loans and leases, net	1,188,429	1,186,979	1,187,301	1,190,211	1,192,624	1,206,942	1,200,672	1,200,381	1,201,018
44 All other assets	135,001	134,984	138,533	132,627	133,717	138,842	137,713	136,670	136,199
45 **Total assets[6]**	**2,000,466**	**1,981,213**	**1,989,023**	**1,975,411**	**1,961,848[r]**	**2,018,265**	**1,967,407**	**1,968,480**	**1,962,643**

Footnotes appear on the following page.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1995								
	May 31	June 7	June 14	June 21	June 28	July 5	July 12	July 19	July 26
LIABILITIES									
46 Deposits	1,184,022	1,173,811	1,181,821	1,157,823	1,153,778[r]	1,218,820	1,176,019	1,164,345	1,164,580
47 Demand deposits[7]	314,893[r]	293,304[r]	302,955[r]	288,056[r]	290,145[r]	338,543	296,731	288,197	291,953
48 Individuals, partnerships, and corporations	264,636[r]	247,977[r]	256,109[r]	241,950[r]	246,559[r]	286,146	252,366	244,872	246,443
49 Other holders	50,257	45,327	46,847	46,105	43,586[r]	52,397	44,365	43,325	45,509
50 States and political subdivisions	8,473	7,653	8,218	8,747	8,527	8,606	8,014	8,509	8,549
51 U.S. government	1,919	2,152	3,474	2,863	1,583	1,838	1,606	1,667	1,635
52 Depository institutions in the United States	22,489	18,885	17,642	17,881	17,358	22,697	19,019	18,276	19,014
53 Banks in foreign countries	5,880	5,617	5,298	4,759	5,781	6,432	5,674	5,049	5,243
54 Foreign governments and official institutions	866	763	617	597	619	712	744	632	603
55 Certified and officers' checks	10,629	10,257	11,598	11,259	9,719	12,112	9,308	9,192	10,465
56 Transaction balances other than demand deposits[4]	114,653	114,670	113,653	110,595	109,226	115,852	111,315	110,464	108,783
57 Nontransaction balances	754,477[r]	765,837[r]	765,212[r]	759,172[r]	754,407[r]	764,425	767,972	765,685	763,845
58 Individuals, partnerships, and corporations	730,474[r]	741,641[r]	741,394[r]	735,933[r]	732,019[r]	742,899	745,748	743,322	741,092
59 Other holders	24,002	24,195[r]	23,818[r]	23,239[r]	22,388[r]	21,526	22,224	22,362	22,753
60 States and political subdivisions	20,251	20,350[r]	20,037[r]	19,442[r]	18,664[r]	18,120	18,322	18,373	18,458
61 U.S. government	2,001	2,050	2,015	2,019	2,016	2,009	2,445	2,422	2,446
62 Depository institutions in the United States	1,439	1,484	1,461	1,457	1,391	1,097	1,158	1,271	1,552
63 Foreign governments, official institutions, and banks	312	312	306	321	317	300	300	297	298
64 Liabilities for borrowed money[5]	411,465[r]	405,442[r]	405,068[1]	421,076[r]	414,347[1]	413,549	408,181	413,749	406,602
65 Borrowings from Federal Reserve Banks	0	0	0	0	0	1,574	0	0	0
66 Treasury tax and loan notes	14,539	70	4,917	28,714	26,166	17,135	16,138	17,137	21,059
67 Other liabilities for borrowed money[6]	396,926[r]	405,372[r]	400,151[r]	392,362[r]	388,181[r]	394,840	392,042	396,613	385,543
68 Other liabilities (including subordinated notes and debentures)	220,481[r]	217,323[r]	217,152[r]	211,747[r]	208,814[r]	199,709	196,378	203,549	204,747
69 **Total liabilities**	**1,815,968**	**1,796,576**	**1,804,041**	**1,790,645**	**1,776,939[r]**	**1,832,078**	**1,780,577**	**1,781,644**	**1,775,928**
70 Residual (total assets less total liabilities)[7]	184,498	184,637	184,982	184,766	184,909	186,188	186,830	186,837	186,714
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,663,826	1,665,372	1,663,913	1,655,926	1,650,143	1,659,453	1,648,558	1,649,037	1,645,021
72 Time deposits in amounts of $100,000 or more	108,075	109,455[r]	108,472	106,882	103,504	105,373	109,100	109,740	109,146
73 Loans sold outright to affiliates[9]	1,673[r]	1,625[r]	1,625[r]	1,624[r]	1,623[r]	1,573	1,573	1,570	1,568
74 Commercial and industrial	292	292	292	292	292	291	291	291	291
75 Other	1,381[r]	1,333[r]	1,333[r]	1,332[r]	1,331[r]	1,282	1,282	1,279	1,277
76 Foreign branch credit extended to U.S. residents[10]	25,362[r]	25,191[r]	25,143[r]	25,375[r]	25,030[r]	25,194	25,227	25,095	25,110
77 Net owed to related institutions abroad	87,925[r]	86,101[r]	83,943[r]	86,531[r]	86,487	74,479	72,148	80,208	81,870

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal (NOWs) and automatic transfer service (ATS) accounts, and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS
Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1995								
	May 31[r]	June 7[r]	June 14[r]	June 21[r]	June 28[r]	July 5	July 12	July 19	July 26
ASSETS									
1 Cash and balances due from depository institutions	17,009	17,781	17,278	17,009	17,076	17,211	16,788	16,835	17,309
2 U.S. Treasury and government agency securities	42,461	41,627	40,097	40,377	39,489	41,945	41,801	41,063	41,647
3 Other securities	20,560	20,656	19,528	19,849	20,169	27,926	29,221	28,869	29,304
4 Federal funds sold[1]	29,314	25,125	24,596	27,811	30,476	26,192	29,213	29,400	32,362
5 To commercial banks in the United States	7,266	5,529	4,155	6,559	8,156	5,317	7,079	6,024	7,509
6 To others[2]	22,048	19,595	20,442	21,252	22,319	20,875	22,134	23,376	24,853
7 Other loans and leases, gross	172,421	172,120	173,053	175,468	174,534	176,595	175,125	175,764	174,426
8 Commercial and industrial	110,709	110,523	110,688	111,938	112,694	113,559	113,181	112,142	111,840
9 Bankers acceptances and commercial paper	2,889	3,097	3,134	3,132	3,513	3,742	3,864	3,972	3,816
10 All other	107,820	107,426	107,554	108,806	109,181	109,817	109,317	108,171	108,023
11 U.S. addressees	102,926	102,634	102,741	104,007	104,236	104,833	104,401	103,491	103,207
12 Non-U.S. addressees	4,894	4,792	4,814	4,799	4,946	4,984	4,915	4,680	4,816
13 Loans secured by real estate	23,593	23,626	23,541	23,488	23,496	23,342	23,401	23,453	23,216
14 Loans to depository and financial institutions	27,389	27,766	28,286	28,799	28,647	29,307	28,676	28,606	27,823
15 Commercial banks in the United States	4,561	4,652	4,811	4,825	4,860	4,759	4,832	4,831	4,691
16 Banks in foreign countries	2,312	2,259	2,106	2,137	2,134	2,286	2,384	2,361	2,007
17 Nonbank financial institutions	20,516	20,855	21,369	21,837	21,653	22,261	21,459	21,414	21,124
18 For purchasing and carrying securities	6,150	5,462	5,719	6,732	4,969	5,998	5,315	5,367	5,565
19 To foreign governments and official institutions	386	426	567	350	361	342	478	699	699
20 All other	4,194	4,317	4,253	4,161	4,366	4,048	4,073	5,496	5,283
21 Other assets (claims on nonrelated parties)	49,319	48,529	52,559	46,996	45,437	37,358	37,500	38,182	38,450
22 **Total assets[3]**	**362,201**	**354,616**	**357,088**	**354,401**	**351,678**	**350,417**	**354,467**	**355,635**	**361,591**
LIABILITIES									
23 Deposits or credit balances owed to other than directly related institutions	106,991	110,487	109,415	107,048	104,134	97,548	104,176	105,170	109,505
24 Demand deposits[4]	4,231	3,877	3,780	3,514	4,084	4,339	3,709	4,265	4,098
25 Individuals, partnerships, and corporations	3,344	3,040	3,033	2,845	3,259	3,376	3,037	3,176	3,008
26 Other	887	837	747	669	825	963	672	1,089	1,091
27 Nontransaction accounts	102,761	106,610	105,636	103,533	100,050	93,210	100,467	100,905	105,407
28 Individuals, partnerships, and corporations	69,275	71,032	69,203	68,448	65,266	59,421	64,515	65,771	69,841
29 Other	33,486	35,578	36,433	35,086	34,784	33,789	35,952	35,134	35,566
30 Borrowings from other than directly related institutions	84,311	80,286	81,914	82,913	81,123	86,920	83,910	85,030	84,940
31 Federal funds purchased[5]	47,837	44,395	45,081	44,669	42,936	48,536	44,717	43,692	41,960
32 From commercial banks in the United States	11,899	8,040	10,165	8,463	8,175	11,215	8,729	6,901	6,207
33 From others	35,938	36,355	34,916	36,205	34,761	37,322	35,988	36,791	35,752
34 Other liabilities for borrowed money	36,474	35,891	36,832	38,245	38,187	38,384	39,193	41,338	42,980
35 To commercial banks in the United States	5,027	4,415	5,271	5,706	5,841	6,643	6,178	5,640	6,523
36 To others	31,446	31,476	31,562	32,539	32,346	31,741	33,016	35,698	36,457
37 Other liabilities to nonrelated parties	50,735	50,288	51,574	47,245	47,035	46,815	47,414	46,356	46,792
38 **Total liabilities[6]**	**362,201**	**354,616**	**357,088**	**354,401**	**351,678**	**350,417**	**354,467**	**355,635**	**361,591**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	252,929	249,347	248,308	252,121	251,651	262,582	263,449	264,241	265,538
40 Net owed to related institutions abroad	89,046	84,776	84,207	90,305	94,889	95,943	94,147	93,557	92,262

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net due from related institutions abroad.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1995					
	1990	1991	1992	1993	1994	Jan.	Feb.	Mar.	Apr.	May	June
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	***562,656***	***528,832***	***545,619***	***555,075***	***595,382***	***612,554***	***619,150***	***633,324***	***651,128***	***650,580***	***648,819***
Financial companies[1]											
2 Dealer-placed paper[2], total	214,706	212,999	226,456	218,947	223,038	231,318	232,231	243,949	252,846	258,006	251,555
3 Directly placed paper[3], total	200,036	182,463	171,605	180,389	207,701	215,423	218,570	218,269	219,281	216,879	218,005
4 Nonfinancial companies[4]	147,914	133,370	147,558	155,739	164,643	165,813[r]	168,349[r]	171,106[r]	179,001[r]	175,695[r]	179,259
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**54,771**	**43,770**	**38,194**	**32,348**	**29,835**						
By holder											
6 Accepting banks	9,017	11,017	10,555	12,421	11,783						
7 Own bills	7,930	9,347	9,097	10,707	10,462						
8 Bills bought from other banks	1,087	1,670	1,458	1,714	1,321						
Federal Reserve Banks[6]											
9 Foreign correspondents	918	1,739	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	44,836	31,014	26,364	19,202	17,642						
By basis											
11 Imports into United States	13,095	12,843	12,209	10,217	10,062						
12 Exports from United States	12,703	10,351	8,096	7,293	6,355						
13 All other	28,973	20,577	17,890	14,838	13,417						

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances will be reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1992—Jan. 1	6.50	1992	6.25	1993—Jan.	6.00	1994—Sept.	7.75
July 2	6.00	1993	6.00	Feb.	6.00	Oct.	7.75
		1994	7.15	Mar.	6.00	Nov.	8.15
1994—Mar. 24	6.25			Apr.	6.00	Dec.	8.50
Apr. 19	6.75	1992—Jan.	6.50	May	6.00		
May 17	7.25	Feb.	6.50	June	6.00	1995—Jan.	8.50
Aug. 16	7.75	Mar.	6.50	July	6.00	Feb.	9.00
Nov. 15	8.50	Apr.	6.50	Aug.	6.00	Mar.	9.00
		May	6.50	Sept.	6.00	Apr.	9.00
1995—Feb. 1	9.00	June	6.50	Oct.	6.00	May	9.00
July 7	8.75	July	6.02	Nov.	6.00	June	9.00
		Aug.	6.00	Dec.	6.00	July	8.80
		Sept.	6.00			Aug.	8.75
		Oct.	6.00	1994—Jan.	6.00		
		Nov.	6.00	Feb.	6.00		
		Dec.	6.00	Mar.	6.06		
				Apr.	6.45		
				May	6.99		
				June	7.25		
				July	7.25		
				Aug.	7.51		

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1992	1993	1994	1995 Apr.	1995 May	1995 June	1995 July	1995, week ending June 30	July 7	July 14	July 21	July 28
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	3.52	3.02	4.21	6.05	6.01	6.00	5.85	5.95	6.21	5.81	5.72	5.75
2 Discount window borrowing[2,4]	3.25	3.00	3.60	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Commercial paper[3,5,6]												
3 1-month	3.71	3.17	4.43	6.06	6.05	6.05	5.87	6.09	6.01	5.82	5.82	5.84
4 3-month	3.75	3.22	4.66	6.12	6.06	5.94	5.79	5.94	5.86	5.73	5.77	5.80
5 6-month	3.80	3.30	4.93	6.19	6.07	5.79	5.68	5.76	5.71	5.59	5.66	5.73
Finance paper, directly placed[3,5,7]												
6 1-month	3.62	3.12	4.33	5.96	5.94	5.92	5.74	5.93	5.87	5.70	5.71	5.72
7 3-month	3.65	3.16	4.53	6.01	5.91	5.73	5.60	5.68	5.65	5.56	5.56	5.63
8 6-month	3.63	3.15	4.56	6.01	5.81	5.47	5.39	5.44	5.42	5.31	5.33	5.50
Bankers acceptances[3,5,8]												
9 3-month	3.62	3.13	4.56	6.00	5.91	5.80	5.66	5.79	5.70	5.62	5.66	5.66
10 6-month	3.67	3.21	4.83	6.06	5.90	5.65	5.56	5.64	5.57	5.48	5.57	5.60
Certificates of deposit, secondary market[3,9]												
11 1-month	3.64	3.11	4.38	6.01	5.98	5.97	5.80	6.00	5.93	5.76	5.76	5.77
12 3-month	3.68	3.17	4.63	6.11	6.02	5.90	5.77	5.91	5.85	5.73	5.75	5.77
13 6-month	3.76	3.28	4.96	6.27	6.07	5.80	5.73	5.80	5.79	5.63	5.72	5.77
14 Eurodollar deposits, 3-month[3,10]	3.70	3.18	4.63	6.13	6.03	5.89	5.79	5.87	5.88	5.74	5.77	5.79
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	3.43	3.00	4.25	5.65	5.67	5.47	5.42	5.43	5.43	5.39	5.43	5.44
16 6-month	3.54	3.12	4.64	5.77	5.67	5.42	5.37	5.37	5.34	5.32	5.42	5.40
17 1-year	3.71	3.29	5.02	5.88	5.65	5.33	5.28	5.33	5.23	5.17	5.31	5.39
Auction average[3,5,11]												
18 3-month	3.45	3.02	4.29	5.67	5.70	5.50	5.47	5.35	5.53	5.40	5.46	5.47
19 6-month	3.57	3.14	4.66	5.80	5.73	5.46	5.41	5.34	5.46	5.30	5.40	5.46
20 1-year	3.75	3.33	5.02[r]	6.02	5.90	5.38	5.38	5.22	n.a.	n.a.	n.a.	5.38
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	3.89	3.43	5.32	6.27	6.00	5.64	5.59	5.65	5.53	5.47	5.64	5.72
22 2-year	4.77	4.05	5.94	6.57	6.17	5.72	5.78	5.75	5.67	5.61	5.86	5.94
23 3-year	5.30	4.44	6.27	6.68	6.27	5.80	5.89	5.83	5.74	5.70	5.97	6.07
24 5-year	6.19	5.14	6.69	6.86	6.41	5.93	6.01	5.95	5.85	5.81	6.11	6.21
25 7-year	6.63	5.54	6.91	6.95	6.50	6.05	6.20	6.07	6.05	6.00	6.30	6.39
26 10-year	7.01	5.87	7.09	7.06	6.63	6.17	6.28	6.17	6.12	6.09	6.37	6.46
27 20-year	n.a.	6.29	7.49	7.45	7.01	6.59	6.74	6.60	6.59	6.56	6.84	6.90
28 30-year	7.67	6.59	7.37	7.36	6.95	6.57	6.72	6.58	6.57	6.56	6.82	6.88
Composite												
29 More than 10 years (long-term)	7.52	6.45	7.41	7.41	6.99	6.59	6.71	6.59	6.57	6.54	6.81	6.87
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	6.09	5.38	5.77	5.74	5.68	5.62	5.68	5.65	5.63	5.64	5.72	5.72
31 Baa	6.48	5.83	6.17	6.01	5.98	5.89	5.91	5.93	5.91	5.92	5.92	5.89
32 *Bond Buyer* series[14]	6.44	5.60	6.18	6.02	5.95	5.84	5.92	5.97	5.91	5.81	5.99	5.97
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	8.55	7.54	8.26	8.25	7.86	7.54	7.66	7.54	7.54	7.51	7.74	7.81
Rating group												
34 Aaa	8.14	7.22	7.97	8.03	7.65	7.30	7.41	7.31	7.29	7.26	7.48	7.56
35 Aa	8.46	7.40	8.15	8.12	7.74	7.43	7.54	7.43	7.41	7.39	7.63	7.69
36 A	8.62	7.58	8.28	8.23	7.86	7.53	7.65	7.54	7.53	7.51	7.72	7.80
37 Baa	8.98	7.93	8.63	8.60	8.20	7.90	8.04	7.91	7.90	7.88	8.13	8.19
38 A-rated, recently offered utility bonds[16]	8.52	7.46	8.29	8.31	7.89	7.60	7.72	7.64	7.53	7.60	7.94	7.88
MEMO												
Dividend-price ratio[17]												
39 Common stocks	2.99	2.78	2.82	2.68	2.60	2.55	2.50	2.53	2.52	2.46	2.52	2.48

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligation bonds based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1992	1993	1994	1994 Nov.	1994 Dec.	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	229.00	249.71	254.16	252.48	248.65	253.56	261.86	266.81	274.38	281.81	289.52	298.18
2 Industrial	284.26	300.10	315.32	319.33	313.92	319.93	328.98	337.96	347.69	357.01	366.75	379.13
3 Transportation	201.02	242.68	247.17	227.44	218.93	230.25	237.29	252.37	254.36	254.70	256.80	279.15
4 Utility	99.48	114.55	104.96	100.07	100.01	100.58	103.87	102.08	104.70	106.02	108.12	109.59
5 Finance	179.29	216.55	209.75	198.38	195.25	201.05	211.76	213.29	219.38	228.45	236.26	240.49
6 Standard & Poor's Corporation (1941–43 = 10)[1]	415.75	451.63	460.42	461.01	455.19	465.25	481.92	493.20	507.91	523.83	539.35	557.37
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	391.28	438.77	449.49	445.16	427.39	436.09	446.37	456.06	471.54	487.03	492.60	513.25
Volume of trading (thousands of shares)												
8 New York Stock Exchange	202,558	263,374	290,652	297,001	302,049	326,652	333,020	338,733	331,184	341,905	345,547	363,780
9 American Stock Exchange	14,171	18,188	17,951	18,465	18,745	18,829	18,424	17,905	19,404	19,266	24,622	23,283
	Customer financing (millions of dollars, end-of-period balances)											
10 Margin credit at broker–dealers[3]	**43,990**	**60,310**	**61,160**	**61,000**	**61,160**	**64,380**	**59,800**	**60,270**	**62,520**	**64,070**	**66,340**	**67,600**
Free credit balances at brokers[4]												
11 Margin accounts[5]	8,970	12,360	14,095	13,635	14,095	13,225	12,380	12,745	12,440	13,403	13,710	13,830
12 Cash accounts	22,510	27,715	28,870	25,625	28,870	26,440	25,860	26,680	26,670	27,464	29,860	28,600
	Margin requirements (percent of market value and effective date)[6]											
	Mar. 11, 1968		June 8, 1968		May 6, 1970		Dec. 6, 1971		Nov. 24, 1972		Jan. 3, 1974	
13 Margin stocks	70		80		65		55		65		50	
14 Convertible bonds	50		60		50		50		50		50	
15 Short sales	70		80		65		55		65		50	

1. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.

3. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.

4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.

5. Series initiated in June 1984.

6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

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

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
				1995					
	1992	1993	1994	Feb.	Mar.	Apr.	May	June	July
U.S. budget[1]									
1 Receipts, total	1,090,453	1,153,226	1,257,187	82,544	92,532	165,392	90,405	147,868	92,749
2 On-budget	788,027	841,292	922,161	54,405	61,970	126,170	61,027	115,998	65,788
3 Off-budget	302,426	311,934	335,026	28,139	30,562	39,222	29,378	31,870	26,961
4 Outlays, total	1,380,856	1,408,532	1,461,067	120,899	143,074	115,673	129,958	135,054	106,328
5 On-budget	1,128,518	1,141,945	1,460,557	94,421	117,123	90,628	103,184	120,236	80,931
6 Off-budget	252,339	266,587	279,372	26,478	25,951	25,045	26,773	14,818	25,397
7 Surplus or deficit (−), total	−290,403	−255,306	−203,370	−38,355	−50,543	49,720	−39,553	12,814	−13,579
8 On-budget	−340,490	−300,653	−259,024	−40,016	−55,153	35,542	−42,157	−4,237	−15,143
9 Off-budget	50,087	45,347	55,654	1,661	4,610	14,178	2,604	17,051	1,564
Source of financing (total)									
10 Borrowing from the public	310,918	248,594	184,998	38,964[r]	13,645	−27,638	44,740	8,491	10,627
11 Operating cash (decrease, or increase (−))	−17,305	6,283	16,564	14,000	17,747	−19,972	11,841	−34,312	11,635
12 Other[2]	−3,210	429	1,808	−14,980	18,535	−2,110	22,578	12,250	15,523
MEMO									
13 Treasury operating balance (level, end of period)	58,789	52,506	35,942	35,844	18,097	38,069	26,228	60,540	48,905
14 Federal Reserve Banks	24,586	17,289	6,848	6,890	4,543	8,241	4,646	20,977	11,206
15 Tax and loan accounts	34,203	35,217	29,094	28,954	13,554	29,828	21,582	39,563	37,700

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

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

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

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

Millions of dollars

Source or type	Fiscal year 1993	Fiscal year 1994	Calendar year 1993 H2	Calendar year 1994 H1	1994 H2	1995 H1	1995 May	1995 June	1995 July
RECEIPTS									
1 **All sources**	**1,153,226**	**1,257,453**	**582,038**	**652,234**	**625,557**	**710,542**	**90,405**	**147,868**	**92,749**
2 Individual income taxes, net	509,680	543,055	262,073	275,052	273,474	307,498	29,729	61,457	42,819
3 Withheld	430,211	459,699	228,423	225,387	240,062	251,398	43,414	40,901	41,532
4 Presidential Election Campaign Fund	28	70	2	63	10	58	12	8	6
5 Nonwithheld	154,989	160,364	41,768	117,937	42,031	132,006	8,691	23,053	3,094
6 Refunds	75,546	77,077	8,115	68,325	9,207	75,958	22,388	2,505	1,812
Corporation income taxes									
7 Gross receipts	131,548	154,205	68,266	80,536	78,392	92,132	3,572	36,645	4,476
8 Refunds	14,027	13,820	6,514	6,933	7,331	10,399	1,379	768	1,079
9 Social insurance taxes and contributions, net	428,300	461,475	206,176	248,301	220,141	261,837	48,183	41,341	36,498
10 Employment taxes and contributions[2]	396,939	428,810	192,749	228,714	206,613	228,663	37,226	40,605	34,514
11 Self-employment taxes and contributions[3]	20,604	24,433	4,335	20,762	4,135	23,429	1,898	4,032	186
12 Unemployment insurance	26,556	28,004	11,010	17,301	11,177	18,001	10,601	320	1,636
13 Other net receipts[4]	4,805	4,661	2,417	2,284	2,349	2,267	355	416	349
14 Excise taxes	48,057	55,225	25,994	26,444	30,062	27,452	4,770	4,897	5,074
15 Customs deposits	18,802	20,099	10,215	9,500	11,042	8,847	1,471	1,583	1,603
16 Estate and gift taxes	12,577	15,225	6,617	8,197	7,071	7,424	1,339	1,040	1,037
17 Miscellaneous receipts[5]	18,273	22,041	9,227	11,170	13,305	15,749	2,719	1,674	2,320
OUTLAYS									
18 **All types**	**1,408,532**	**1,460,722**	**727,685**	**710,620**	**752,318**[r]	**760,824**[r]	**129,958**[r]	**135,054**[r]	**106,328**
19 National defense	291,086	281,451	146,672	133,844	141,780[r]	135,931[r]	22,797[r]	26,905[r]	18,069
20 International affairs	16,826	17,249	10,186	5,800	12,055[r]	4,727	1,282	818	517
21 General science, space, and technology	17,030	17,602	8,880	8,502	8,978[r]	8,611	1,596	1,521	1,355
22 Energy	4,319	5,398	1,663	2,237	3,102[r]	2,358	244	601	547
23 Natural resources and environment	20,239	20,902	11,221	10,111	12,884[r]	10,273	1,820	1,698	1,811
24 Agriculture	20,443	15,131	7,516	7,451	7,697	4,039	236	−328	−482
25 Commerce and housing credit	22,725	−4,851	1,490	−4,962	4,094	−13,936	1,988	−3,041	−733
26 Transportation	35,004	36,835	19,570	16,739	20,485[r]	18,192	3,154	3,432	3,324
27 Community and regional development	9,051	11,877	4,288	4,571	6,552[r]	4,858	860	1,035	1,191
28 Education, training, employment, and social services	50,012	44,730	26,753	19,262	25,888[r]	25,738	4,205	4,480	2,869
29 Health	99,415	106,495	52,958	53,195	54,123	58,759	9,952	10,543	8,777
30 Social security and Medicare	435,137	464,313[r]	223,735	232,777	236,818[r]	251,975	42,387	47,721	40,015
31 Income security	207,257	213,972	102,380	109,080	101,743	117,639	20,633	16,426	15,310
32 Veterans benefits and services	35,720	37,637	19,852	16,686	19,756[r]	19,267	3,204	4,552	1,591
33 Administration of justice	14,955	15,283	7,400	7,718	7,798[r]	8,062	1,129	1,419	1,664
34 General government	13,009	11,348	6,531	5,084	7,382[r]	5,797	1,109	1,781	421
35 Net interest[6]	198,811	202,957	99,914	99,844	109,435	116,170	20,295	18,617	20,245
36 Undistributed offsetting receipts[7]	37,386	−37,772	−20,344	17,308	−20,066[r]	17,632	−2,956	−3,127	−10,163

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

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; and U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1996*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1993			1994				1995	
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
1 **Federal debt outstanding**	**4,373**	**4,436**	**4,562**	**4,602**	**4,673**	**4,721**	**4,827**	**4,891[r]**	**4,978[r]**
2 Public debt securities	4,352	4,412	4,536	4,576	4,646	4,693	4,800	4,864	4,951
3 Held by public	3,252	3,295	3,382	3,434	3,443	3,480	3,543	3,610	n.a.
4 Held by agencies	1,100	1,117	1,154	1,142	1,203	1,213	1,257	1,255	n.a.
5 Agency securities	21	25	27	26	28	29	27	27	27
6 Held by public	21	25	27	26	27	29	27	26	n.a.
7 Held by agencies	0	0	0	0	0	0	0	0	n.a.
8 **Debt subject to statutory limit**	**4,256**	**4,316**	**4,446**	**4,491**	**4,559**	**4,605**	**4,711**	**4,775**	**4,861**
9 Public debt securities	4,256	4,315	4,445	4,491	4,559	4,605	4,711	4,774	4,861
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,370	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900

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

SOURCES. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

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

Billions of dollars, end of period

Type and holder	1991	1992	1993	1994	1994		1995	
					Q3	Q4	Q1	Q2
1 **Total gross public debt**	**3,801.7**	**4,177.0**	**4,535.7**	**4,800.2**	**4,692.8**	**4,800.2**	**4,864.1**	**4,951.4**
By type								
2 Interest-bearing	3,798.9	4,173.9	4,532.3	4,769.2	4,689.5	4,769.2	4,860.5	4,947.8
3 Marketable	2,471.6	2,754.1	2,989.5	3,126.0	3,091.6	3,126.0	3,227.3	3,252.6
4 Bills	590.4	657.7	714.6	733.8	697.3	733.8	756.5	748.3
5 Notes	1,430.8	1,608.9	1,764.0	1,867.0	1,867.5	1,867.0	1,938.2	1,974.7
6 Bonds	435.5	472.5	495.9	510.3	511.8	510.3	517.7	514.7
7 Nonmarketable[1]	1,327.2	1,419.8	1,542.9	1,643.1	1,597.9	1,643.1	1,633.2	1,695.2
8 State and local government series	159.7	153.5	149.5	132.6	137.4	132.6	122.9	121.2
9 Foreign issues[2]	41.9	37.4	43.5	42.5	42.0	42.5	41.8	41.4
10 Government	41.9	37.4	43.5	42.5	42.0	42.5	41.8	41.4
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	135.9	155.0	169.4	177.8	176.4	177.8	178.8	180.1
13 Government account series[3]	959.2	1,043.5	1,150.0	1,259.8	1,211.7	1,259.8	1,259.2	1,322.0
14 Non-interest-bearing	2.8	3.1	3.4	31.0	3.2	31.0	3.6	3.6
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	968.7	1,047.8	1,153.5	1,257.1	1,213.1	1,257.1	1,254.7	
16 Federal Reserve Banks	281.8	302.5	334.2	374.1	355.2	374.1	369.3	
17 Private investors	2,563.2	2,839.9	3,047.7	3,168.0	3,127.8	3,168.0	3,239.1	
18 Commercial banks	233.4	294.0	316.0	296.4	313.9	296.4	285.0	
19 Money market funds	80.0	79.4	80.5	67.6	60.1	67.6	67.8	
20 Insurance companies	168.7	197.5	216.0	256.8	253.4	256.8	260.0	
21 Other companies	150.8	192.5	213.0	230.2	229.3	230.2	230.3	n.a.
22 State and local treasuries	520.3	534.8	564.0	488.3	504.6	488.3	480.0	
Individuals								
23 Savings bonds	138.1	157.3	171.9	180.5	178.6	180.5	181.4	
24 Other securities	125.8	131.9	137.9	152.5	148.6	152.5	161.4	
25 Foreign and international[5]	491.8	549.7	623.3	688.1	655.0	688.1	728.1	
26 Other miscellaneous investors[6]	651.3	702.4	725.0	807.6	784.3	807.6	845.1	

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign balances and international accounts in the United States.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

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

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

Millions of dollars, daily averages

Item	1995 Apr.	1995 May	1995 June	1995, week ending May 31	June 7	June 14	June 21	June 28	July 5	July 12	July 19	July 26
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	49,515	52,894	47,751	56,666	55,756	47,982	45,813	45,809	36,862	41,899	44,888	46,406
Coupon securities, by maturity												
2 Five years or less	86,779	102,560	98,618	93,934	110,345	103,903	84,282	106,808	71,454	87,044	87,189	99,307
3 More than five years	38,590	59,066	55,441	58,883	72,572	61,528	44,886	50,487	36,172	48,433	50,443	51,351
4 Federal agency	22,120	21,890	22,595	22,584	22,244	21,415	22,591	24,449	21,799	22,039	22,224	20,369
5 Mortgage-backed	26,963	29,333	31,425	19,788	46,142	44,273	24,387	18,041	13,564	41,109	35,964	24,323
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	102,048	125,478	120,661	121,191	142,306	128,968	104,834	122,119	81,699	105,128	109,018	115,556
7 Federal agency	778	868	638	872	758	731	427	724	418	876	692	674
8 Mortgage-backed	8,353	10,050	10,912	6,960	14,907	15,660	9,470	6,315	4,148	13,394	12,415	10,238
With other												
9 U.S. Treasury	72,836	89,043	81,150	88,292	96,366	84,445	70,147	80,985	62,788	72,248	73,502	81,508
10 Federal agency	21,342	21,022	21,957	21,712	21,486	20,684	22,164	23,725	21,382	21,163	21,532	19,695
11 Mortgage-backed	18,610	19,282	20,513	12,828	31,234	28,613	14,917	11,726	9,416	27,715	23,549	14,085
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	910	1,371	916	867	1,664	1,045	721	358	607	327	531	599
Coupon securities, by maturity												
13 Five years or less	2,152	2,877	2,799	2,901	3,862	2,865	2,638	2,044	2,270	1,523	1,836	1,830
14 More than five years	11,781	17,425	17,667	17,358	24,310	20,562	15,249	13,055	11,397	11,799	14,087	15,895
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	n.a.
Coupon securities, by maturity												
18 Five years or less	2,585	2,695	2,653	2,765	3,694	2,534	1,298	2,888	3,144	3,906	2,120	2,379
19 More than five years	3,425	5,230	4,319	4,777	6,272	3,884	3,460	3,851	3,841	5,051	4,749	4,087
20 Federal agency	0	0	0	0	0	0	n.a.	n.a.	0	0	n.a	0
21 Mortgage-backed	726	1,199	1,201	1,014	2,227	1,058	540	903	1,392	1,509	1,113	833

1. *Transactions are market purchases and sales of securities* as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. *Futures transactions are standardized agreements arranged* on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

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

Millions of dollars

Item	1995			1995, week ending							
	Apr.	May	June	May 31	June 7	June 14	June 21	June 28	July 5	July 12	July 19
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	7,472	4,533	634	6,156	586	−3,351	−3,877	6,737	9,180	5,490	4,928
Coupon securities, by maturity											
2 Five years or less	−1,887	1,996	4,291	3,774	7,342	3,172	1,073	5,057	6,110	3,232	2,371
3 More than five years	−30,458	−20,487	14,742	−17,437	−13,788	−12,788	−16,055	−15,677	−17,046	−16,396	−16,838
4 Federal agency	22,961	22,564	23,438	21,034	26,935	26,399	22,082	19,137	20,627	20,778	21,688
5 Mortgage-backed	30,809	34,798	31,381	34,338	32,723	31,277	30,370	31,122	31,493	32,912	33,338
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	−10,906	−11,208	−7,706	−10,966	−10,222	−8,585	−6,777	−5,869	−5,504	−4,996	−6,164
Coupon securities, by maturity											
7 Five years or less	2,296	1,128	2,020	−868	1,289	1,893	2,475	2,638	1,274	2,004	1,910
8 More than five years	2,427	−4,195	−7,797	−5,185	−7,772	−8,364	−9,305	−6,975	−3,505	−2,857	−1,619
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
12 Five years or less	60	22	555	−880	−249	256	905	1,238	796	487	−634
13 More than five years	76	−1,623	−2,537	−2,513	3,570	2,996	−1,220	−2,470	−2,161	−3,569	−3,734
14 Federal agency	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.	0
15 Mortgage-backed	1,800	2,470	2,816	2,980	2,915	3,098	2,923	2,582	1,928	681	2,235
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	227,539	224,729	237,727	232,616	249,171	242,805	238,006	223,742	227,864	224,162	222,451
17 Term	370,576	369,097	396,685	334,105	378,821	399,352	399,890	419,243	359,705	411,002	427,172
Securities borrowed											
18 Overnight and continuing	170,977	163,757	158,449	158,722	163,119	158,069	155,799	156,683	158,895	156,513	158,474
19 Term	59,415	55,704	55,058	49,225	51,928	54,099	57,640	57,569	51,547	53,613	60,405
Securities received as pledge											
20 Overnight and continuing	3,526	2,552	3,127	2,564	3,101	3,085	3,117	3,209	3,112	3,033	2,727
21 Term	64	103	102	70	145	118	51	96	97	40	47
Repurchase agreements											
22 Overnight and continuing	469,832	465,539	490,204	465,191	522,828	510,791	482,517	448,254	477,694	480,852	479,780
23 Term	330,717	323,351	341,771	284,665	308,397	334,407	360,675	374,439	303,858	348,504	365,608
Securities loaned											
24 Overnight and continuing	4,946	4,879	4,971	5,534	5,283	5,181	5,108	4,372	4,758	6,131	6,787
25 Term	2,146	1,842	2,003	1,863	2,002	1,949	1,862	2,119	2,286	2,075	2,021
Securities pledged											
26 Overnight and continuing	29,139	28,703	33,240	29,627	28,227	27,922	32,184	44,456	33,831	29,759	29,037
27 Term	3,184	3,742	4,251	4,046	4,488	4,428	4,168	4,267	3,029	4,031	4,095
Collateralized loans											
28 Overnight and continuing	16,973	13,004	13,613	11,193	12,525	13,693	12,563	15,031	15,852	19,425	18,123
29 Term	n.a.	n.a.	4,177	n.a.	n.a.	n.a.	n.a.	n.a.	4,177	n.a.	n.a.
MEMO: Matched book[6]											
Securities in											
30 Overnight and continuing	219,256	212,193	219,216	207,514	227,691	224,931	219,818	206,193	213,018	207,611	207,471
31 Term	344,373	346,228	367,824	317,481	349,979	366,417	374,843	388,933	336,764	387,443	406,847
Securities out											
32 Overnight and continuing	289,764	273,963	286,362	266,681	308,103	300,036	277,733	260,786	282,124	288,791	303,491
33 Term	275,791	272,206	287,643	232,349	258,318	276,963	302,308	321,643	257,329	297,736	313,096

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1991	1992	1993	1994	1995				
				Dec.	Jan.	Feb.	Mar	Apr.	May
1 **Federal and federally sponsored agencies**	**442,772**	**483,970**	**570,711**	**741,992**	**737,442[r]**	**746,071[r]**	**754,658[r]**	**759,681**	**771,524**
2 Federal agencies	41,035	41,829	45,193	39,186	39,196	39,054	38,759	38,777	38,720
3 *Defense Department*[1]	7	7	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	9,809	7,208	5,315	3,455	3,455	3,455	3,156	3,156	3,156
5 Federal Housing Administration[4]	397	374	255	116	59	60	65	70	78
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	8,421	10,660	9,732	8,073	8,073	7,873	7,873	7,873	7,615
8 Tennessee Valley Authority	22,401	23,580	29,885	27,536	27,603	27,660	27,659	27,672	27,865
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies[7]	401,737	442,141	523,452[r]	702,806	698,246[r]	707,017[r]	715,899[r]	720,904	732,804
11 Federal Home Loan Banks	107,543	114,733	139,512[r]	208,881	207,826[r]	205,629[r]	210,185[r]	211,944[r]	218,131
12 Federal Home Loan Mortgage Corporation	30,262	29,631	49,993	93,279	95,060	101,417	101,673	106,432	107,686
13 Federal National Mortgage Association	133,937	166,300	201,112	257,230	250,467	255,719	258,653	258,176	263,023
14 Farm Credit Banks[8]	52,199	51,910	53,123	53,175	55,558	53,846	53,947	53,629	54,054
15 *Student Loan Marketing Association*[9]	38,319	39,650	39,784	50,335	49,425	50,506	51,554	50,758	49,993
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 *Farm Credit Financial Assistance Corporation*[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**185,576**	**154,994**	**128,187**	**103,817**	**101,157**	**100,388**	**98,266**	**95,374**	**92,739**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	9,803	7,202	5,309	3,449	3,449	3,449	3,150	3,150	3,150
21 Postal Service[6]	8,201	10,440	9,732	8,073	8,073	7,873	7,873	7,873	7,615
22 Student Loan Marketing Association	4,820	4,790	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	10,725	6,975	6,325	3,200	3,200	3,200	3,200	3,200	3,200
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	48,534	42,979	38,619	33,719	33,669	33,574	32,759	31,769	30,759
26 Rural Electrification Administration	18,562	18,172	17,578	17,392	17,309	17,360	17,293	17,299	17,313
27 Other	84,931	64,436	45,864	37,984	35,457	34,932	33,991	32,083	30,702

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. *On-budget since Sept. 30, 1976.*
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans' Administration.
6. Off-budget.
7. *Includes outstanding noncontingent* liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation, therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or *guaranteed by other federal agencies. Because FFB incurs debt* solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans, the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1992	1993	1994	1994 Dec.	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July
1 **All issues, new and refunding**[1]	**226,818**	**279,945**	**153,950**	**9,541**	**7,717**	**7,366**	**11,844**	**8,552**	**11,804**	**17,956**	**9,777**
By type of issue											
2 General obligation	78,611	90,599	54,404	2,272	3,770	3,714	5,459	3,536	4,332	5,755	3,529
3 Revenue	136,580	189,346	99,546	7,269	3,947	3,652	6,385	5,016	7,472	12,201	6,248
By type of issuer											
4 State	24,874	27,999	19,186	151	738	1,032	2,315	994	1,315	1,329	645
5 Special district or statutory authority[2]	138,327	178,714	95,896	7,352	4,835	4,889	6,572	5,814	8,039	11,382	7,399
6 Municipality, county, or township	63,617	73,232	38,868	2,038	2,144	1,445	2,957	1,744	2,450	5,245	1,733
7 **Issues for new capital**	**101,865**	**91,434**	**105,972**	**8,444**	**5,737**	**5,670**	**10,538**	**6,497**	**8,406**	**13,796**	**8,384**
By use of proceeds											
8 Education	18,852	16,831	21,267	1,701	1,411	1,464	1,666	1,863	2,594	2,494	1,924
9 Transportation	14,357	9,167	10,836	307	625	671	454	615	606	3,127	1,926
10 Utilities and conservation	12,164	12,014	10,192	1,292	538	249	633	345	1,282	1,235	485
11 Social welfare	16,744	13,837	20,289	2,208	1,182	869	2,556	1,547	1,738	2,062	1,333
12 Industrial aid	6,188	6,862	8,161	1,046	384	215	1,011	391	416	411	500
13 Other purposes	33,560	32,723	35,227	1,890	1,597	2,202	4,218	1,736	1,770	4,467	2,216

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

SOURCES. Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1992	1993	1994	1994 Nov.	1994 Dec.	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June
1 **All issues**[1]	**559,827**	**754,969**	n.a.	**38,258**	**23,267**	**37,214**[r]	**42,079**	**39,590**	**30,617**[r]	**50,942**[r]	**55,435**
2 **Bonds**[2]	**471,502**	**641,498**	n.a.	**33,286**	**20,493**	**34,312**	**37,248**	**36,670**	**27,088**	**44,944**	**48,338**
By type of offering											
3 Public, domestic	378,058	486,879	365,050	27,278	17,809	24,353	29,350	32,703	24,615	38,671	43,791
4 Private placement, domestic[3]	65,853	116,240	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	27,591	38,379	56,238	6,008	2,684	9,959	7,898	3,967	2,473[r]	6,273	4,547
By industry group											
6 Manufacturing	82,058	88,002	31,981	2,491	1,508	1,497	4,405	2,126	2,214[r]	1,465[r]	5,306
7 Commercial and miscellaneous	43,111	60,293	27,900	1,578	2,469	2,334	3,038	1,941	1,666[r]	5,443[r]	4,182
8 Transportation	9,979	10,756	4,573	239	269	0	100	403	800[r]	945[r]	627
9 Public utility	48,055	56,272	11,713	744	273	659	215	839	210[r]	2,246[r]	2,044
10 Communication	15,394	31,950	11,986	333	419	813	1,122	399	235[r]	1,507[r]	1,745
11 Real estate and financial	272,904	394,226	333,135	27,902	15,556	29,009	28,368	30,962	15,445[r]	25,600[r]	24,367
12 **Stocks**[2]	**88,325**	**113,472**	n.a.	**4,972**	**2,774**	**2,902**	**4,831**	**2,920**	**3,529**	**5,998**	**7,097**
By type of offering											
13 Public preferred	21,339	18,897	12,504	279	178	430	296	205	381	1,407	726
14 Common	57,118	82,657	47,884	4,693	2,595	2,472	4,535	2,715	3,148	4,591	6,371
15 Private placement[3]	9,867	11,917	↑	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	22,723	22,271		1,963	1,203	1,086	1,582	1,010	612	2,258	2,243
17 Commercial and miscellaneous	20,231	25,761	n.a.	1,789	857	390	1,413	907	1,841	1,050	2,413
18 Transportation	2,595	2,237		76	0	19	15	60	48	101	0
19 Public utility	6,532	7,050		333	165	134	258	137	141	185	183
20 Communication	2,366	3,439		0	21	496	0	20	0	74	0
21 Real estate and financial	33,879	52,021	↓	791	527	776	1,564	786	887	2,232	2,258

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCES. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1993	1994	1994		1995					
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
1 **Sales of own shares**[2]	**851,885**	**841,286**	**56,849**	**73,183**	**75,099**	**59,121**	**69,898**	**68,294**	**70,798**	**75,196**
2 Redemptions of own shares	567,881	699,823	55,757	70,747	63,737	50,738	60,970	59,957	57,033	62,384
3 Net sales[3]	284,004	141,463	1,092	2,436	11,362	8,383	8,928	8,337	13,765	12,812
4 **Assets**[4]	**1,510,209**	**1,550,490**	**1,549,186**	**1,550,490**	**1,563,187**	**1,619,705**	**1,657,370**	**1,710,280**	**1,769,287**	**1,807,570**
5 Cash[5]	100,209	121,296	125,843	121,296	124,351	126,307	121,424	124,092	128,375	122,918
6 Other	1,409,838	1,429,195	1,423,344	1,429,195	1,438,836	1,493,399	1,535,946	1,586,187	1,640,913	1,684,652

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.

2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.

3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.

4. Market value at end of period, less current liabilities.

5. Includes all U.S. Treasury securities and other short-term debt securities.

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

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1992	1993	1994	1993		1994				1995	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1 Profits with inventory valuation and *capital consumption adjustment*	405.1	485.8	542.7	493.5	533.9	508.2	546.4	556.0	560.3	569.7	n.a.
2 Profits before taxes	395.9	462.4	524.5	458.7	501.7	483.5	523.1	538.1	553.5	570.6	n.a.
3 Profits-tax liability	139.7	173.2	202.5	169.9	191.5	184.1	201.7	208.6	215.6	220.0	n.a.
4 Profits after taxes	256.2	289.2	322.0	288.9	310.2	299.4	321.4	329.5	337.9	350.7	n.a.
5 Dividends	171.1	191.7	205.2	193.2	194.6	196.3	202.5	207.9	213.9	217.1	219.9
6 Undistributed profits	85.1	97.5	116.9	95.6	115.6	103.0	118.9	121.6	124.0	133.5	n.a.
7 Inventory valuation	6.4	-6.2	19.5	3.0	-6.5	-12.3	-14.1	-19.6	-32.1	-39.0	27.8
8 Capital consumption adjustment	15.7	29.5	37.7	31.7	38.8	37.0	37.4	37.5	38.8	38.1	36.1

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.50 NONFARM BUSINESS EXPENDITURES New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1992	1993	1994[1]	1993				1994			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[1]
1 **Total nonfarm business**	**546.60**	**586.73**	**638.37**	**563.48**	**578.95**	**594.56**	**604.51**	**619.34**	**637.08**	**651.92**	**645.13**
Manufacturing											
2 Durable goods industries	73.32	81.45	92.78	78.19	80.33	82.74	83.64	86.03	91.71	98.97	94.44
3 Nondurable goods industries	100.69	98.02	99.77	95.80	97.22	99.74	98.51	99.02	102.28	98.39	99.39
Nonmanufacturing											
4 Mining	8.88	10.08	11.24	8.98	9.10	11.09	10.92	11.43	10.70	11.57	11.27
Transportation											
5 Railroad	6.67	6.14	6.72	6.16	5.94	5.89	6.55	7.46	5.36	6.65	7.40
6 Air	8.93	6.42	3.95	7.26	6.63	6.70	5.06	4.23	4.53	3.86	3.16
7 Other	7.04	9.22	10.53	8.96	8.92	8.74	10.23	10.77	9.70	10.22	11.42
Public utilities											
8 Electric	48.22	52.55	52.25	49.98	50.61	52.96	55.60	48.68	53.55	54.15	52.60
9 Gas and other	23.99	23.43	24.20	23.79	23.83	22.98	23.27	24.51	22.96	24.35	24.97
10 Commercial and other[2]	268.84	299.44	336.93	284.35	296.35	303.74	310.73	327.20	336.28	343.76	340.48

1. Figures are amounts anticipated by business.

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

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1992	1993	1994	1993	1994				1995	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
1 Accounts receivable, gross[2]	491.8	482.8	551.0	482.8	494.5	511.3	524.1	551.0	568.5	586.9
2 Consumer	118.3	116.5	134.8	116.5	120.1	124.3	130.3	134.8	135.8	141.7
3 Business	301.3	294.6	337.6	294.6	302.3	313.2	317.2	337.6	351.9	361.8
4 Real estate	72.2	71.7	78.5	71.7	72.1	73.8	76.6	78.5	80.8	83.4
5 LESS: Reserves for unearned income	53.2	50.7	55.0	50.7	51.2	51.9	51.1	55.0	58.9	62.2
6 Reserves for losses	16.2	11.2	12.4	11.2	11.6	12.1	12.1	12.4	12.9	13.7
7 Accounts receivable, net	422.4	420.9	483.5	420.9	431.7	447.3	460.9	483.5	496.7	511.1
8 All other	142.5	170.9	183.4	170.9	171.2	174.6	177.2	183.4	194.6	198.0
9 **Total assets**	**564.9**	**591.8**	**666.9**	**591.8**	**602.9**	**621.9**	**638.1**	**666.9**	**691.4**	**709.1**
LIABILITIES AND CAPITAL										
10 Bank loans	37.6	25.3	21.2	25.3	24.2	23.3	21.6	21.2	21.0	21.5
11 Commercial paper	156.4	159.2	184.6	159.2	165.9	171.2	171.0	184.6	181.3	181.3
Debt										
12 Owed to parent	39.5	42.7	51.0	42.7	41.1	44.7	50.0	51.0	52.5	57.5
13 Not elsewhere classified	196.3	206.0	235.0	206.0	211.7	219.6	228.2	235.0	254.4	264.4
14 All other liabilities	68.0	87.1	99.5	87.1	90.5	89.9	95.0	99.5	102.5	102.1
15 Capital, surplus, and undivided profits	67.1	71.4	75.7	71.4	69.5	73.2	72.3	75.7	79.7	82.5
16 **Total liabilities and capital**	564.9	591.8	666.9	591.8	602.9	621.9	638.1	666.9	691.4	709.1

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1992	1993	1994	1995					
				Jan.	Feb.	Mar.	Apr.[r]	May	June
	Seasonally adjusted								
1 **Total**	**539,996**	**545,533**	**614,784**	**624,038**	**630,388**	**637,911**	**644,041**	**653,802**	**659,587**
2 Consumer	157,579	160,349	176,198	178,430	178,623	180,029	181,775	186,513	188,147
3 Real estate[2]	72,473	71,965	78,770	79,210	80,326	81,210	81,877	82,843	84,198
4 Business	309,944	313,219	359,816	366,398	371,439	376,672	380,389	384,446	387,242
	Not seasonally adjusted								
5 **Total**	**544,691**	**550,751**	**620,975**	**624,281**	**629,486**	**640,378**	**646,621**	**653,433**	**660,782**
6 Consumer	159,558	162,770	178,999	179,979	178,601	180,653	181,598	184,546	186,788
7 Motor vehicles	57,259	56,057	61,609	62,321	61,067	61,256	62,435	63,689	65,162
8 Other consumer[3]	61,020	60,396	73,221	75,147	73,691	74,534	75,369	75,943	76,581
9 Securitized motor vehicles[4]	29,734	36,024	31,897	30,262	31,304	32,155	31,261	32,047	32,065
10 Securitized other consumer[4]	11,545	10,293	12,272	12,249	12,539	12,708	12,533	12,867	12,980
11 Real estate[2]	72,243	71,727	78,479	79,592	80,754	80,762	82,104	82,735	83,351
12 Business	312,890	316,254	363,497	364,710	370,131	378,963	382,919	386,152	390,643
13 Motor vehicles	89,011	95,173	118,197	118,979	121,818	125,805	128,572	128,312	127,487
14 Retail[5]	20,541	18,091	21,514	21,809	21,577	21,652	22,370	21,228	22,142
15 Wholesale[6]	29,890	31,148	35,037	34,493	36,759	38,868	39,574	39,512	36,989
16 Leasing	38,580	45,934	61,646	62,677	63,482	65,285	66,628	67,572	68,356
17 Equipment	151,424	145,452	157,953	158,820	159,333	161,306	162,623	165,219	169,995
18 Retail	33,521	35,513	39,680	40,387	40,329	42,024	40,880	41,264	42,008
19 Wholesale[6]	8,680	8,001	9,678	9,372	9,462	8,913	9,661	10,643	11,725
20 Leasing	109,223	101,938	108,595	109,061	109,542	110,369	112,082	113,312	116,262
21 Other business[7]	60,856	53,997	61,495	61,304	63,339	64,815	64,426	64,099	64,365
22 Securitized business assets[4]	11,599	21,632	25,852	25,607	25,641	27,037	27,298	28,522	28,796
23 Retail	1,120	2,869	4,494	4,251	4,035	4,404	4,937	5,224	4,989
24 Wholesale	5,756	10,584	14,826	14,945	15,465	16,653	16,561	17,676	18,310
25 Leasing	4,723	8,179	6,532	6,411	6,141	5,980	5,800	5,622	5,497

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1992	1993	1994	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	158.1	163.1	170.4	176.5	175.6	173.3	174.7	178.1	181.7	169.4
2 Amount of loan (thousands of dollars)	118.1	123.0	130.8	134.2	135.6	132.6	134.6	136.3	137.7	130.4
3 Loan-to-price ratio (percent)	76.6	78.0	78.8	78.0	79.3	78.2	79.2	78.7	78.2	78.9
4 Maturity (years)	25.6	26.1	27.5	28.0	28.3	28.6	28.1	28.4	27.2	26.6
5 Fees and charges (percent of loan amount)[2]	1.60	1.30	1.29	1.31	1.32	1.18	1.14	1.30	1.18	1.18
Yield (percent per year)										
6 Contract rate[1]	7.98	7.03	7.26	7.96	8.07	8.02	7.96	7.79	7.54	7.58
7 Effective rate[1,3]	8.25	7.24	7.47	8.18	8.28	8.21	8.15	7.99	7.73	7.78
8 Contract rate (HUD series)[4]	8.43	7.37	8.58	9.11	8.79	8.60	8.44	7.84	7.80	7.98
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.46	7.46	8.68	9.10	9.05	8.60	8.56	8.03	8.00	8.09
10 GNMA securities[6]	7.71	6.65	7.96	8.69	8.38	8.08	7.96	7.53	7.24	7.27
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	158,119	190,861	222,057	222,774	223,137	223,956	226,197	228,078	232,534	235,882
12 FHA/VA insured	22,593	23,857	28,377	28,368	28,420	28,672	28,664	28,576	28,886	28,761
13 Conventional	135,526	167,004	194,499	195,170	195,439	195,998	198,161	200,004	204,022	207,391
14 Mortgage transactions purchased (during period)	75,905	92,037	62,389	2,154	1,802	2,390	3,709	3,787	6,575	5,657
Mortgage commitments (during period)										
15 Issued[7]	74,970	92,537	54,038	1,720	1,683	3,372	3,277	6,085	5,605	4,512
16 To sell[8]	10,493	5,097	1,820	57	82	64	22	28	9	26
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	33,665	55,012	72,693	73,553	75,184	77,313	79,147	81,008	85,532	88,874
18 FHA/VA insured	352	321	276	272	270	266	262	257	253	250
19 Conventional	33,313	54,691	72,416	73,281	74,914	77,047	78,885	80,751	85,278	88,624
Mortgage transactions (during period)										
20 Purchases	191,125	229,242	124,697	3,254	5,537	4,609	4,530	10,982	7,001	7,316
21 Sales	179,208	208,723	117,110	2,862	4,806	3,546	3,805	10,479	5,326	6,074
22 Mortgage commitments contracted (during period)[9]	261,637	274,599	136,067	6,541	7,741	12,704	13,437	4,549	6,198	8,106

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1991	1992	1993	1994				1995
				Q1	Q2	Q3	Q4	Q1
1 **All holders**	**3,926,154**	**4,056,233**	**4,229,592**	**4,258,823**	**4,314,991**	**4,374,353**	**4,425,886**	**4,466,957**
By type of property								
2 One- to four-family residences	2,781,327	2,963,391	3,149,634	3,185,330	3,236,909	3,293,166	3,345,755	3,379,380
3 Multifamily residences	306,551	295,417	291,985	292,533	294,709	297,315	296,633	297,691
4 Commercial	759,154	716,687	706,780	699,690	701,541	701,617	700,997	707,217
5 Farm	79,122	80,738	81,194	81,269	81,832	82,255	82,500	82,669
By type of holder								
6 Major financial institutions	1,846,726	1,769,187	1,767,835	1,746,474	1,763,296	1,786,178	1,815,949	1,839,114
7 Commercial banks[2]	876,100	894,513	940,444	937,944	956,840	981,365	1,004,280	1,024,772
8 One- to four-family	483,623	507,780	556,538	553,894	569,512	592,021	611,697	625,335
9 Multifamily	36,935	38,024	38,635	38,690	38,609	38,004	38,916	39,734
10 Commercial	337,095	328,826	324,409	324,106	326,800	328,931	331,100	336,767
11 Farm	18,447	19,882	20,862	21,254	21,918	22,408	22,567	22,935
12 Savings institutions[3]	705,367	627,972	598,330	584,531	585,671	587,545	596,198	601,636
13 One- to four-family	538,358	489,622	469,959	458,057	462,219	466,704	477,499	483,476
14 Multifamily	79,881	69,791	67,362	66,924	66,281	65,532	64,400	63,748
15 Commercial	86,741	68,235	60,704	59,253	56,872	55,017	54,011	54,120
16 Farm	388	324	305	297	299	291	289	292
17 Life insurance companies	265,258	246,702	229,061	223,999	220,785	217,269	215,471	212,706
18 One- to four-family	11,547	11,441	9,458	9,245	9,107	8,956	8,876	8,756
19 Multifamily	29,562	27,770	25,814	25,232	24,855	24,442	24,224	23,898
20 Commercial	214,105	198,269	184,305	180,152	177,463	174,514	172,957	170,624
21 Farm	10,044	9,222	9,484	9,370	9,360	9,357	9,414	9,429
22 Federal and related agencies	266,146	286,263	328,598	329,160	329,725	329,304	323,491	319,770
23 Government National Mortgage Association	19	30	22	20	12	12	6	15
24 One- to four-family	19	30	15	13	12	12	6	15
25 Multifamily	0	0	7	7	0	0	0	0
26 Farmers Home Administration[4]	41,713	41,695	41,386	41,209	41,370	41,587	41,781	41,857
27 One- to four-family	18,496	16,912	15,303	14,870	14,459	14,084	13,826	13,507
28 Multifamily	10,141	10,575	10,940	11,037	11,147	11,243	11,319	11,418
29 Commercial	4,905	5,158	5,406	5,399	5,526	5,608	5,670	5,807
30 Farm	8,171	9,050	9,739	9,903	10,239	10,652	10,966	11,124
31 Federal Housing and Veterans' Administrations	10,733	12,581	12,215	11,344	11,169	10,533	10,964	10,890
32 One- to four-family	4,036	5,153	5,364	4,738	4,826	4,321	4,753	4,715
33 Multifamily	6,697	7,428	6,851	6,606	6,343	6,212	6,211	6,175
34 Resolution Trust Corporation	45,822	32,045	17,284	14,241	13,908	15,403	10,428	9,342
35 One- to four-family	14,535	12,960	7,203	6,308	6,045	6,998	5,200	4,755
36 Multifamily	15,018	9,621	5,327	4,208	4,230	4,569	2,859	2,494
37 Commercial	16,269	9,464	4,754	3,726	3,633	3,836	2,369	2,092
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	0	0	14,112	12,696	11,407	9,169	7,821	6,730
40 One- to four-family	0	0	2,367	1,956	1,706	1,241	1,049	840
41 Multifamily	0	0	1,426	2,167	1,701	2,090	1,595	1,310
42 Commercial	0	0	10,319	8,573	8,000	5,838	5,177	4,580
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	112,283	137,584	166,642	172,343	175,377	177,200	178,059	177,615
45 One- to four-family	100,387	124,016	151,310	156,576	159,437	161,255	162,160	161,780
46 Multifamily	11,896	13,568	15,332	15,767	15,940	15,945	15,899	15,835
47 Federal Land Banks	28,767	28,664	28,460	28,181	28,475	28,538	28,555	28,065
48 One- to four-family	1,693	1,687	1,675	1,658	1,675	1,679	1,671	1,651
49 Farm	27,074	26,977	26,785	26,523	26,800	26,859	26,885	26,414
50 Federal Home Loan Mortgage Corporation	26,809	33,665	48,476	49,127	48,007	46,863	45,876	45,256
51 One- to four-family	24,125	31,032	45,929	46,571	45,427	44,208	43,046	42,122
52 Multifamily	2,684	2,633	2,547	2,556	2,580	2,655	2,830	3,134
53 Mortgage pools or trusts[5]	1,250,666	1,425,546	1,553,818	1,611,449	1,652,999	1,682,421	1,703,076	1,714,357
54 Government National Mortgage Association	425,295	419,516	414,066	423,446	435,709	444,976	450,934	454,401
55 One- to four-family	415,767	410,675	404,864	414,194	426,363	435,511	441,198	444,632
56 Multifamily	9,528	8,841	9,202	9,251	9,346	9,465	9,736	9,769
57 Federal Home Loan Mortgage Corporation	359,163	407,514	446,029	466,949	479,555	482,987	486,480	488,723
58 One- to four-family	351,906	401,525	441,494	462,779	475,733	479,539	483,354	485,643
59 Multifamily	7,257	5,989	4,535	4,170	3,822	3,448	3,126	3,080
60 Federal National Mortgage Association	371,984	444,979	495,525	507,376	514,855	523,512	530,343	533,262
61 One- to four-family	362,667	435,979	486,804	498,489	505,730	514,375	520,763	523,903
62 Multifamily	9,317	9,000	8,721	8,887	9,125	9,137	9,580	9,359
63 Farmers Home Administration[4]	47	38	28	26	22	20	19	14
64 One- to four-family	11	8	5	5	4	4	3	2
65 Multifamily	0	0	0	0	0	0	0	0
66 Commercial	19	17	13	12	10	9	9	7
67 Farm	17	13	10	9	8	7	7	5
68 Private mortgage conduits	94,177	153,499	198,171	213,653	222,858	230,926	235,300	237,957
69 One- to four-family	84,000	132,000	164,000	177,000	179,500	182,300	183,600	184,400
70 Multifamily	3,698	6,305	8,701	9,202	11,514	13,891	14,925	15,743
71 Commercial	6,479	15,194	25,469	27,451	31,844	34,735	36,774	37,814
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[6]	562,616	575,237	579,341	571,739	568,970	576,450	583,370	593,715
74 One- to four-family	370,157	382,572	387,345	378,977	375,152	379,959	387,055	393,848
75 Multifamily	83,937	85,871	86,586	87,829	89,216	90,681	91,013	91,991
76 Commercial	93,541	91,524	91,401	91,020	91,393	93,130	92,929	95,406
77 Farm	14,981	15,270	14,009	13,912	13,209	12,681	12,373	12,470

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCES. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities.

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1992	1993	1994	1995					
				Jan.	Feb.	Mar.	Apr.	May[1]	June
	Seasonally adjusted								
1 **Total**	**730,847**	**790,351**	**902,853**	**914,260**	**918,968**	**933,717**	**945,239[r]**	**958,313**	**967,935**
2 Automobile	257,436	280,566	317,237	319,408	321,175	323,502	325,232[r]	329,124	332,103
3 Revolving	258,081	286,588	334,511	340,450	345,630	352,741	359,641	367,103	373,143
4 Other[2]	215,331	223,197	251,106	254,402	252,164	257,474	260,366[r]	262,085	262,690
	Not seasonally adjusted								
5 **Total**	**748,057**	**809,440**	**925,000**	**922,788**	**917,652**	**927,260**	**936,904[r]**	**949,822**	**961,570**
By major holder									
6 Commercial banks	330,088	367,566	427,851	425,941	423,144	425,208	431,444	434,863	437,498
7 Finance companies	118,279	116,453	134,830	137,468	134,758	135,790	137,804[r]	139,632	141,743
8 Credit unions	91,694	101,634	119,594	120,029	120,603	121,946	123,233	125,052	126,267
9 Savings institutions	37,049	37,855	38,468	38,153	37,835	37,519	37,499	37,500	37,501
10 Nonfinancial business[3]	49,561	55,296	60,957	57,819	55,828	55,351	55,116	55,914	56,315
11 Pools of securitized assets[4]	121,386	130,636	143,300	143,378	145,484	151,446	151,808[r]	156,861	162,246
By major type of credit[5]									
12 Automobile	258,226	281,458	318,213	317,869	319,042	321,592	322,956[r]	327,672	332,133
13 Commercial banks	109,623	122,000	141,851	141,546	141,801	141,857	142,014	142,865	144,761
14 Finance companies	57,259	56,057	61,609	62,321	61,067	61,256	62,435[r]	63,689	65,162
15 Pools of securitized assets[4]	33,888	39,481	34,918	33,265	34,312	35,172	34,129	34,984	34,840
16 Revolving	271,850	301,837	352,266	347,641	345,354	348,411	354,998	362,269	368,385
17 Commercial banks	132,966	149,920	180,183	176,959	175,574	175,800	180,609	183,006	182,950
18 Nonfinancial business[3]	44,466	50,125	55,341	52,299	50,405	49,959	49,773	50,595	51,006
19 Pools of securitized assets[4]	74,921	79,878	94,376	95,826	96,613	101,571	103,174	106,797	112,195
20 Other	217,981	226,145	254,521	257,278	253,256	257,257	258,950[r]	259,881	261,052
21 Commercial banks	87,499	95,646	105,817	107,436	105,769	107,551	108,821	108,992	109,787
22 Finance companies	61,020	60,396	73,221	75,147	73,691	74,534	75,369[r]	75,943	76,581
23 Nonfinancial business[3]	5,095	5,171	5,616	5,520	5,423	5,392	5,343	5,319	5,309
24 Pools of securitized assets[4]	12,577	11,277	14,006	14,287	14,559	14,703	14,505[r]	15,080	15,211

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Comprises mobile home loans and all other installment loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.

3. Includes retailers and gasoline companies.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

Item	1992	1993	1994	1994	1995					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	9.29	8.09	8.12	n.a.	n.a.	9.70	n.a.	n.a.	9.78	n.a.
2 24-month personal	14.04	13.47	13.19	n.a.	n.a.	14.10	n.a.	n.a.	14.03	n.a.
Credit card plan										
3 All accounts	n.a.	n.a.	15.69	n.a.	n.a.	16.14	n.a.	n.a.	16.15	n.a.
4 Accounts assessed interest	n.a.	n.a.	15.77	n.a.	n.a.	15.27	n.a.	n.a.	16.23	n.a.
Auto finance companies										
5 New car	9.93	9.48	9.79	10.72	11.35	11.89	11.95	11.74	11.43	11.08
6 Used car	13.80	12.79	13.49	14.48	14.57	15.06	15.10	14.99	14.78	14.63
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.0	54.5	54.0	53.9	53.9	54.1	54.5	54.6	54.4	53.9
8 Used car	47.9	48.8	50.2	50.3	52.0	52.0	52.1	52.2	52.2	52.3
Loan-to-value ratio										
9 New car	89	91	92	92	92	92	92	92	92	92
10 Used car	97	98	99	100	99	99	99	100	99	99
Amount financed (dollars)										
11 New car	13,584	14,332	15,375	16,187	16,068	15,774	15,826	16,029	16,155	16,083
12 Used car	9,119	9,875	10,709	11,309	11,185	11,181	11,220	11,505	11,396	11,518

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available for only the second month of each quarter.

3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1990	1991	1992	1993	1994	1993		1994				1995
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**635.6**	**475.8**	**536.1**	**622.1**	**595.0**	**613.8**	**659.6**	**634.7**	**530.2**	**580.8**	**634.4**	**816.0**
By sector and instrument												
2 U.S. government	246.9	278.2	304.0	256.1	155.9	173.4	274.2	210.5	122.9	135.0	155.0	271.8
3 Treasury securities	238.7	292.0	303.8	248.3	155.7	157.2	266.5	211.8	118.2	130.7	162.1	273.0
4 Budget agency issues and mortgages	8.2	-13.8	.2	7.8	.2	16.2	7.7	-1.3	4.7	4.3	-7.1	-1.2
5 Private	388.7	197.5	232.1	366.0	439.2	440.4	385.5	424.1	407.3	445.8	479.4	544.2
By instrument												
6 Tax-exempt obligations	48.7	68.7	31.1	75.5	-34.1	65.2	27.3	2.6	-25.4	-63.2	-50.4	-65.6
7 Corporate bonds	47.1	78.8	67.5	75.2	22.0	72.0	67.4	35.4	35.9	14.2	2.7	41.4
8 Mortgages	199.5	161.4	123.9	155.7	186.5	222.1	148.5	162.8	170.4	221.2	191.6	213.0
9 Home mortgages	185.6	163.8	179.5	183.9	196.1	236.5	184.6	198.5	164.5	220.8	200.7	188.3
10 Multifamily residential	4.8	-3.1	-11.2	-6.0	1.4	-4.9	-2.3	-1.0	4.6	6.5	-4.3	2.6
11 Commercial	9.3	.4	-45.5	-22.6	-12.3	-9.9	-33.9	-34.9	-.9	-7.7	-5.8	21.5
12 Farm	-.3	.4	1.1	.5	1.3	.4	.2	.3	2.3	1.7	1.0	.7
13 Consumer credit	16.0	-15.0	5.5	62.3	117.5	76.2	111.3	72.7	121.9	125.9	149.4	83.4
14 Bank loans n.e.c.	.4	-40.9	-13.8	5.0	74.0	7.8	28.5	65.8	55.5	86.8	88.0	156.7
15 Commercial paper	9.7	-18.4	8.6	10.0	21.4	17.2	3.8	8.2	16.4	33.8	27.2	1.1
16 Other loans	67.4	-37.1	9.2	-17.7	51.8	-20.2	-1.3	76.6	32.7	27.1	70.9	114.3
By borrowing sector												
17 Household	218.9	170.9	217.7	284.5	351.6	368.5	337.7	310.3	307.3	381.9	407.0	304.7
18 Nonfinancial business	123.7	-35.9	-2.0	18.5	135.8	25.6	30.8	127.3	144.3	134.0	137.5	302.7
19 Farm	2.3	2.1	1.0	2.0	2.4	4.1	3.6	2.6	8.1	1.6	-2.8	-.5
20 Nonfarm noncorporate	10.1	-28.5	-43.9	-24.7	13.5	-23.2	-15.6	5.4	12.5	17.9	18.2	68.8
21 Corporate	111.3	-9.6	40.9	41.2	119.9	44.8	42.7	119.3	123.7	114.5	122.1	234.3
22 State and local government	46.0	62.6	16.4	63.0	48.2	46.3	17.0	13.4	-44.3	-70.2	-65.1	63.1
23 Foreign net borrowing in United States	23.9	13.9	21.3	46.9	-9.8	83.1	22.9	-66.3	-10.1	8.3	29.0	55.7
24 Bonds	21.4	14.1	14.4	59.4	17.6	84.5	41.4	29.0	9.4	8.6	23.4	11.0
25 Bank loans n.e.c.	-2.9	3.1	2.3	.7	1.4	1.0	-6.3	6.0	-4.5	4.7	-.5	8.3
26 Commercial paper	12.3	6.4	5.2	-9.0	-27.3	-1.6	-12.0	-101.8	-5.2	-8.1	5.9	37.9
27 U.S. government and other loans	-7.0	-9.8	-.6	-4.2	-1.5	-.8	-.1	.5	-9.8	3.2	.2	-1.5
28 **Total domestic plus foreign**	**659.4**	**489.6**	**557.4**	**669.1**	**585.2**	**696.9**	**682.6**	**568.3**	**520.1**	**589.1**	**663.3**	**871.7**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**202.9**	**152.6**	**237.1**	**289.1**	**451.8**	**438.9**	**361.6**	**518.7**	**366.7**	**403.1**	**518.5**	**282.5**
By instrument												
30 U.S. government-related	167.4	145.7	155.8	164.2	284.3	287.3	143.3	336.8	254.7	243.1	302.4	125.4
31 Government-sponsored enterprises securities	17.1	9.2	40.3	80.6	176.9	167.8	53.4	160.0	146.6	152.1	249.0	62.9
32 Mortgage pool securities	150.3	136.6	115.6	83.6	112.1	119.5	89.9	196.0	108.1	91.0	53.4	62.5
33 Loans from U.S. government	-.1	.0	.0	.0	-4.8	.0	.0	-19.2	.0	.0	.0	.0
34 Private	35.5	6.8	81.3	124.9	167.5	151.6	218.4	182.0	112.0	160.0	216.1	157.1
35 Corporate bonds	46.3	67.6	78.5	118.2	105.6	143.4	138.1	156.3	91.4	86.9	87.9	115.2
36 Mortgages	.6	.5	.6	3.6	9.8	6.2	5.5	9.8	12.4	12.0	4.9	5.1
37 Bank loans n.e.c.	4.7	8.8	2.2	-14.0	-12.3	-16.1	-18.0	-9.9	-27.7	-11.9	.5	11.6
38 Open market paper	8.6	-32.0	-.7	-6.2	41.6	-9.4	76.0	36.6	3.6	42.3	84.0	48.9
39 Loans from Federal Home Loan Banks	-24.7	-38.0	.8	23.3	22.8	27.4	16.8	-10.8	32.3	30.7	38.8	-23.6
By borrowing sector												
40 Government-sponsored enterprises	17.0	9.1	40.2	80.6	172.1	167.8	53.4	140.8	146.6	152.1	249.0	62.9
41 Federally related mortgage pools	150.3	136.6	115.6	83.6	112.1	119.5	89.9	196.0	108.1	91.0	53.4	62.5
42 Private	35.5	6.8	81.3	124.9	167.5	151.6	218.4	182.0	112.0	160.0	216.1	157.1
43 Commercial banks	-.7	-11.7	8.8	5.6	10.0	6.5	1.2	2.0	12.4	22.8	2.9	9.6
44 Bank holding companies	-27.7	-2.5	2.3	8.8	10.3	.5	12.2	3.5	10.1	11.5	16.0	9.5
45 Funding corporations	15.4	-6.5	13.2	2.9	24.2	7.9	36.7	48.8	-17.2	47.2	17.9	62.9
46 Savings institutions	-30.2	-44.5	-6.7	11.1	12.8	13.5	8.8	-5.6	5.8	14.8	36.1	-21.7
47 Credit unions	.0	.0	.0	.2	.2	.3	.1	.1	.2	.5	.2	-.3
48 Life insurance companies	.0	.0	.0	.2	.3	-.1	.4	.0	.0	.0	1.3	.0
49 Finance companies	24.0	18.6	-3.6	.2	52.4	17.5	16.3	63.3	67.0	16.9	62.6	72.5
50 Mortgage companies	.0	-2.4	8.0	-1.0	-11.5	-.8	-10.4	-21.6	-18.2	-7.0	1.0	2.0
51 Real estate investment trusts (REITs)	.8	1.2	.3	3.4	13.7	6.0	6.1	14.5	15.3	18.8	6.3	6.9
52 Issuers of asset-backed securities (ABSs)	52.3	51.0	56.3	81.5	54.5	85.8	117.6	86.9	36.5	42.1	52.5	45.3

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1990	1991	1992	1993	1994	1993 Q3	1993 Q4	1994 Q1	1994 Q2	1994 Q3	1994 Q4	1995 Q1
	All sectors											
53 **Total net borrowing, all sectors**	**862.3**	**642.2**	**794.5**	**958.2**	**1,037.0**	**1,135.8**	**1,044.2**	**1,087.1**	**886.8**	**992.2**	**1,181.9**	**1,154.2**
54 U.S. government securities	414.4	424.0	459.8	420.3	444.9	460.7	417.5	566.5	377.6	378.1	457.4	397.2
55 Tax-exempt securities	48.7	68.7	31.1	75.5	34.1	65.2	27.3	2.6	-25.4	63.2	-50.4	-65.6
56 Corporate and foreign bonds	114.7	160.5	160.4	252.9	145.2	299.9	246.9	220.6	136.6	109.7	114.0	167.5
57 Mortgages	200.1	161.9	124.5	159.2	196.3	228.3	154.0	172.6	182.8	233.2	196.5	218.1
58 Consumer credit	16.0	-15.0	5.5	62.3	117.5	76.2	111.3	72.7	121.9	125.9	149.4	83.4
59 Bank loans n.e.c.	2.2	-29.1	9.4	-8.3	63.2	-7.3	4.2	61.9	23.3	79.5	88.0	176.6
60 Open market paper	30.7	44.0	13.1	-5.1	35.7	6.3	67.7	57.0	14.8	68.0	117.1	87.9
61 Other loans	35.6	-84.9	9.5	1.3	68.3	6.4	15.4	47.1	55.2	61.1	109.9	89.2
	Funds raised through mutual funds and corporate equities											
62 **Total net share issues**	**19.7**	**215.4**	**296.0**	**440.1**	**169.1**	**513.0**	**430.1**	**344.4**	**213.1**	**162.9**	**-44.1**	**100.9**
63 Mutual funds	65.3	151.5	211.9	320.0	138.3	363.9	287.7	236.2	144.0	165.4	7.7	113.9
64 Corporate equities	45.6	64.0	84.1	120.1	30.7	149.1	142.4	108.1	69.1	2.5	51.8	13.0
65 Nonfinancial corporations	63.0	18.3	27.0	21.3	-40.9	32.3	21.5	9.6	-2.0	-50.0	-102.0	46.8
66 Financial corporations	10.0	15.1	26.4	38.2	28.6	38.2	40.9	48.3	24.4	23.7	17.9	15.9
67 Foreign shares purchased in United States	7.4	30.7	30.7	60.6	43.0	78.6	80.0	69.4	46.7	23.8	32.2	17.9

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

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

Transaction category or sector	1990	1991	1992	1993	1994	1993		1994				1995
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**862.3**	**642.2**	**794.5**	**958.2**	**1,037.0**	**1,135.8**	**1,044.2**	**1,087.1**	**886.8**	**992.2**	**1,181.9**	**1,154.2**
2 Private domestic nonfinancial sectors	190.1	−7.5	72.0	−3.4	235.8	−52.8	85.8	295.0	299.1	109.5	239.7	−26.0
3 Households	157.2	−39.6	70.7	−19.7	319.4	−83.0	174.3	350.1	400.0	183.5	344.0	81.1
4 Nonfarm noncorporate business	−1.7	−3.7	−1.1	−3.2	−2.0	−3.3	−3.5	−3.6	−1.8	−1.9	−.5	−.1
5 Nonfinancial corporate business	−3.7	6.7	29.2	18.0	25.5	41.2	16.0	23.0	16.8	25.5	36.6	15.4
6 State and local governments	38.3	29.2	−26.8	1.5	−107.1	−7.7	−101.0	−74.4	−115.9	−97.6	−140.5	−122.3
7 U.S. government	33.7	10.5	−11.9	−18.4	−24.1	−15.4	−7.9	−46.5	−16.2	−9.4	−24.3	−19.2
8 Foreign	85.5	26.6	100.5	122.6	133.3	125.0	203.7	127.7	65.1	124.1	216.1	267.9
9 Financial sectors	553.0	612.5	633.9	857.3	692.0	1,079.0	762.5	710.9	538.8	768.0	750.4	931.5
10 Government sponsored enterprises	13.9	15.2	69.0	90.2	123.3	144.8	71.2	92.4	101.1	125.6	174.3	12.2
11 Federally related mortgage pools	150.3	136.6	115.6	83.6	112.1	119.5	89.9	196.0	108.1	91.0	53.4	62.5
12 *Monetary authority*	8.1	31.1	27.9	36.2	31.5	28.2	38.5	48.8	17.9	24.0	35.4	24.8
13 Commercial banking	125.1	80.8	95.3	142.2	162.0	146.7	188.1	184.7	109.1	191.3	163.0	337.1
14 U.S. commercial banks	94.9	35.7	69.5	149.6	148.1	160.3	197.3	120.6	128.4	164.6	178.7	177.2
15 Foreign banking offices	28.4	48.5	16.5	−9.8	11.2	−16.9	−6.5	59.0	−21.5	22.1	−15.0	157.8
16 Bank holding companies	−2.8	−1.5	5.6	.0	.9	1.2	−4.8	3.1	.2	2.7	−2.4	.4
17 Banks in U.S. affiliated areas	4.5	−1.9	3.7	2.4	1.9	2.2	2.1	2.1	1.9	1.9	1.8	1.7
18 Funding corporations	16.1	15.8	23.5	18.1	13.8	32.4	42.6	19.5	33.5	25.1	−23.0	11.3
19 Thrift institutions	−154.0	−123.5	−61.3	−1.7	35.2	21.0	−13.3	13.6	42.6	50.9	33.5	36.2
20 Life insurance companies	94.4	83.2	79.1	105.1	61.1	111.8	86.4	53.7	6.1	83.4	101.1	72.3
21 Other insurance companies	26.5	32.6	12.8	33.3	21.1	37.6	32.1	27.9	20.8	16.0	19.7	13.0
22 Private pension funds	17.2	85.7	37.3	40.2	−42.4	91.9	−60.1	−97.7	−30.7	−17.6	−23.6	97.6
23 State and local government retirement funds	34.9	46.0	34.4	25.5	60.8	27.4	36.9	72.9	69.3	26.3	74.6	67.4
24 Finance companies	29.0	−12.7	1.7	−9.0	68.2	9.4	22.6	72.1	49.8	58.9	91.8	95.7
25 *Mortgage companies*	.0	11.2	.1	.0	−22.9	−1.6	−13.3	−43.5	−36.3	−14.0	2.1	4.0
26 Mutual funds	41.4	90.3	123.7	169.6	7.6	186.9	138.9	61.5	9.3	24.3	−64.7	−5.3
27 Closed-end funds	.2	14.7	17.4	10.2	3.5	5.9	7.7	8.3	3.2	1.4	1.0	.8
28 Money market funds	80.9	30.1	1.3	14.6	28.5	25.3	56.9	−45.0	32.2	50.0	76.7	26.5
29 Real estate investment trusts (REITs)	−.7	−.7	1.1	.6	4.7	1.0	.2	6.6	6.6	5.5	.2	2.5
30 Brokers and dealers	2.8	17.5	−6.9	9.2	−34.0	−7.8	−82.8	−55.7	−52.6	−19.3	−8.6	32.2
31 Asset-backed securities issuers (ABSs)	51.1	48.9	53.8	80.1	51.0	88.6	111.1	86.0	38.7	37.3	42.1	38.9
32 Bank personal trusts	15.9	10.0	8.0	9.5	7.1	9.9	8.9	8.9	10.2	7.7	1.4	1.6
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
33 **Net flows through credit markets**	**862.3**	**642.2**	**794.5**	**958.2**	**1,037.0**	**1,135.8**	**1,044.2**	**1,087.1**	**886.8**	**992.2**	**1,181.9**	**1,154.2**
Other financial sources												
34 Official foreign exchange	2.0	−5.9	−1.6	.8	−5.8	1.7	2.2	−.2	−14.6	.2	−8.6	27.7
35 Special drawing rights certificates	1.5	.0	−2.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
36 Treasury currency	1.0	.0	.2	.4	.7	.4	.7	.7	.6	.8	.7	.7
37 Life insurance reserves	25.7	25.7	27.3	35.2	20.1	36.6	35.5	20.0	8.1	23.8	28.7	25.4
38 Pension fund reserves	165.1	360.3	249.7	309.2	96.1	349.9	251.6	−.7	90.1	147.9	147.1	323.0
39 Interbank claims	35.4	−3.9	61.7	44.6	94.0	−5.0	−14.0	156.0	180.5	−22.1	61.5	23.1
40 Checkable deposits and currency	43.3	86.4	113.8	117.3	−10.1	73.1	81.9	173.1	−66.1	−89.2	−58.0	118.0
41 Small time and savings deposits	63.7	1.5	−57.2	−70.3	−40.5	−68.1	−36.6	2.5	−62.4	−57.2	−44.9	52.8
42 Large time deposits	−66.1	−58.5	−73.2	−23.5	19.0	−59.5	13.7	−39.6	−4.4	81.2	39.0	94.3
43 Money market fund shares	70.3	41.2	3.9	19.2	45.4	.6	61.1	−35.1	68.5	49.9	98.4	−7.3
44 Security repurchase agreements	−24.2	−16.5	35.5	65.5	84.3	67.8	−14.4	23.0	176.4	82.9	54.8	159.6
45 *Foreign deposits*	38.2	−16.7	−7.2	−11.7	30.1	−50.7	32.8	16.0	16.9	23.2	64.3	5.0
46 Mutual fund shares	65.3	151.5	211.9	320.0	138.3	363.9	287.7	236.2	144.0	165.4	7.7	113.9
47 Corporate equities	−45.6	64.0	84.1	120.1	30.7	149.1	142.4	108.1	69.1	−2.5	−51.8	−13.0
48 Security credit	3.5	51.4	4.2	61.9	−2.3	76.6	86.5	29.9	−17.7	−62.3	40.9	−33.4
49 Trade debt	37.0	3.6	41.5	49.0	92.2	49.6	51.9	35.3	96.3	116.0	121.3	118.2
50 Taxes payable	−4.8	−6.2	8.5	4.6	3.4	−1.8	4.9	14.9	−12.7	5.9	5.5	18.9
51 Noncorporate proprietors' equity	−28.3	−3.3	18.4	−11.6	−27.4	3.4	−27.2	−43.1	−24.1	−15.5	−26.9	−45.8
52 Investment in bank personal trusts	29.7	16.1	−7.1	1.6	18.8	.1	17.6	15.0	24.7	23.6	11.9	21.0
53 Miscellaneous	135.7	197.2	257.6	290.4	260.9	221.4	344.7	377.4	262.6	299.1	104.7	301.0
54 **Total financial sources**	**1,410.6**	**1,530.2**	**1,764.5**	**2,280.9**	**1,885.1**	**2,345.2**	**2,367.2**	**2,176.6**	**1,822.6**	**1,763.2**	**1,778.1**	**2,457.2**
Floats not included in assets (−)												
55 U.S. government checkable deposits	3.3	−13.1	.7	−1.5	−4.8	2.1	−15.5	−2.4	−1.4	15.2	−30.7	18.8
56 Other checkable deposits	8.5	4.5	1.6	−1.3	−2.8	−5.2	−6.2	.6	−1.1	−6.2	−4.3	−5.0
57 Trade credit	9.1	9.7	4.1	16.5	5.3	22.2	12.5	−26.9	16.2	29.0	2.8	9.1
Liabilities not identified as assets (−)												
58 Treasury currency	.2	−.6	−.2	−.2	−.2	−.2	−.2	−.2	−.2	−.2	−.2	−.2
59 Interbank claims	1.6	26.2	−4.9	4.2	−2.7	−10.4	24.0	−29.1	5.3	11.3	1.5	−3.5
60 Security repurchase agreements	−24.0	6.2	27.9	82.5	50.1	66.6	23.1	12.2	118.7	66.3	3.0	74.1
61 Taxes payable	.1	1.3	14.0	1.0	−1.6	1.2	−8.6	.4	3.1	−1.4	−8.7	−23.5
62 Miscellaneous	−35.4	−45.3	−46.0	−49.1	2.5	−19.6	15.4	3.2	−197.4	157.6	46.6	−191.7
63 **Total identified to sectors as assets**	**1,447.2**	**1,541.2**	**1,767.2**	**2,228.8**	**1,839.5**	**2,288.6**	**2,322.7**	**2,218.9**	**1,879.3**	**1,491.7**	**1,768.1**	**2,579.2**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1991	1992	1993	1994	1993 Q3	1993 Q4	1994 Q1	1994 Q2	1994 Q3	1994 Q4	1995 Q1
					Nonfinancial sectors						
1 **Total credit market debt owed by domestic nonfinancial sectors**	**11,181.5**	**11,720.7**	**12,370.7**	**12,965.6**	**12,153.3**	**12,370.7**	**12,488.9**	**12,629.9**	**12,767.3**	**12,965.6**	**13,128.5**
By sector and instrument											
2 U.S. government	2,776.4	3,080.3	3,336.5	3,492.3	3,247.3	3,336.5	3,387.7	3,395.4	3,432.6	3,492.3	3,557.9
3 Treasury securities	2,757.8	3,061.6	3,309.9	3,465.6	3,222.6	3,309.9	3,361.4	3,368.0	3,404.1	3,465.6	3,531.5
4 Budget agency issues and mortgages	18.6	18.8	26.6	26.7	24.7	26.6	26.3	27.4	28.5	26.7	26.4
5 Private	8,405.1	8,640.4	9,034.2	9,473.3	8,906.0	9,034.2	9,101.2	9,234.4	9,334.6	9,473.3	9,570.5
By instrument											
6 Tax-exempt obligations	1,108.6	1,139.7	1,215.2	1,181.1	1,207.4	1,215.2	1,214.6	1,218.0	1,192.9	1,181.1	1,163.4
7 Corporate bonds	1,086.9	1,154.4	1,229.6	1,251.7	1,212.8	1,229.6	1,238.5	1,247.4	1,251.0	1,251.7	1,262.0
8 Mortgages	3,920.0	4,043.9	4,220.6	4,407.2	4,166.6	4,220.6	4,247.4	4,300.5	4,356.8	4,407.2	4,447.0
9 Home mortgages	2,780.0	2,959.6	3,149.6	3,345.8	3,098.3	3,149.6	3,185.3	3,236.9	3,293.2	3,345.8	3,379.4
10 Multifamily residential	304.8	293.6	289.0	290.4	288.2	289.0	288.8	289.9	291.5	290.4	291.1
11 Commercial	755.8	710.3	700.8	688.5	699.0	700.8	692.1	691.8	689.9	688.5	693.8
12 Farm	79.3	80.4	81.2	82.5	81.1	81.2	81.3	81.8	82.3	82.5	82.7
13 Consumer credit	797.4	803.0	866.5	984.0	824.3	866.5	863.6	895.3	931.8	984.0	983.8
14 Bank loans n.e.c.	686.0	672.1	677.2	751.1	665.6	677.2	686.7	706.2	724.5	751.1	783.9
15 Commercial paper	98.5	107.1	117.8	139.2	123.2	117.8	129.9	135.7	138.7	139.2	149.8
16 Other loans	707.8	720.2	707.2	759.0	706.0	707.2	720.4	731.3	738.9	759.0	780.7
By borrowing sector											
17 Household	3,784.7	4,002.3	4,294.3	4,645.6	4,190.9	4,294.3	4,335.5	4,426.7	4,527.4	4,645.6	4,686.6
18 Nonfinancial business	3,709.3	3,710.5	3,749.3	3,885.4	3,729.7	3,749.3	3,779.7	3,823.1	3,849.5	3,885.4	3,958.7
19 Farm	135.0	136.0	138.3	140.7	138.7	138.3	136.6	141.3	142.8	140.7	138.2
20 Nonfarm noncorporate	1,116.4	1,074.1	1,050.3	1,063.8	1,053.4	1,050.3	1,050.9	1,054.6	1,058.4	1,063.8	1,080.2
21 Corporate	2,458.0	2,500.4	2,560.7	2,680.8	2,537.5	2,560.7	2,592.2	2,627.2	2,648.3	2,680.8	2,740.3
22 State and local government	911.1	927.5	990.6	942.3	985.4	990.6	986.0	984.6	957.8	942.3	925.3
23 **Foreign credit market debt held in United States**	**298.8**	**310.9**	**357.8**	**348.1**	**351.3**	**357.8**	**340.3**	**339.2**	**339.8**	**348.1**	**361.1**
24 Bonds	129.5	143.9	203.4	220.9	193.0	203.4	210.6	212.9	215.1	220.9	223.7
25 Bank loans n.e.c.	21.6	23.9	24.6	26.1	26.2	24.6	26.2	25.1	26.3	26.1	28.2
26 Commercial paper	81.8	77.7	68.7	41.4	71.7	68.7	43.3	42.0	39.9	41.4	50.9
27 U.S. government and other loans	65.9	65.3	61.1	59.6	60.3	61.1	60.3	59.2	58.6	59.6	58.3
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**11,480.3**	**12,031.6**	**12,728.5**	**13,313.7**	**12,504.5**	**12,728.5**	**12,829.3**	**12,969.0**	**13,107.1**	**13,313.7**	**13,489.5**
					Financial sectors						
29 **Total credit market debt owed by financial sectors**	**2,752.1**	**3,004.7**	**3,300.2**	**3,757.3**	**3,204.7**	**3,300.2**	**3,425.7**	**3,523.9**	**3,622.8**	**3,757.3**	**3,818.4**
By instrument											
30 U.S. government-related	1,564.2	1,720.0	1,884.1	2,168.4	1,845.2	1,884.1	1,961.5	2,030.5	2,089.8	2,168.4	2,192.7
31 Government-sponsored enterprises securities	402.9	443.1	523.7	700.6	510.3	523.7	563.7	600.3	638.3	700.6	716.3
32 Mortgage pool securities	1,156.5	1,272.0	1,355.6	1,467.8	1,330.1	1,355.6	1,397.8	1,430.1	1,451.5	1,467.8	1,476.4
33 Loans from U.S. government	4.8	4.8	4.8	.0	4.8	4.8	.0	.0	.0	.0	.0
34 Private	1,187.9	1,284.8	1,416.1	1,588.9	1,359.5	1,416.1	1,464.3	1,493.4	1,532.9	1,588.9	1,625.7
35 Corporate bonds	640.0	724.8	844.0	947.2	810.5	844.0	881.2	904.8	926.3	947.2	976.6
36 Mortgages	4.8	5.4	8.9	18.7	7.6	8.9	11.4	14.5	17.5	18.7	20.0
37 Bank loans n.e.c.	78.4	80.5	66.5	54.3	69.2	66.5	62.4	55.3	52.4	54.3	55.5
38 Open market paper	385.7	394.3	393.5	442.8	373.2	393.5	408.8	410.3	420.5	442.8	453.6
39 Loans from Federal Home Loan Banks	79.1	79.9	103.1	125.9	98.9	103.1	100.4	108.5	116.2	125.9	120.0
By borrowing sector											
40 Government-sponsored enterprises	407.7	447.9	528.5	700.6	515.1	528.5	563.7	600.3	638.3	700.6	716.3
41 Federally related mortgage pools	1,156.5	1,272.0	1,355.6	1,467.8	1,330.1	1,355.6	1,397.8	1,430.1	1,451.5	1,467.8	1,476.4
42 Private financial sectors	1,187.9	1,284.8	1,416.1	1,588.9	1,359.5	1,416.1	1,464.3	1,493.4	1,532.9	1,588.9	1,625.7
43 Commercial banks	65.0	73.8	79.5	89.5	77.9	79.5	78.4	82.1	87.5	89.5	90.4
44 Bank holding companies	112.3	114.6	123.4	133.6	120.3	123.4	124.2	126.8	129.6	133.6	136.0
45 Funding corporations	139.1	161.6	169.9	199.3	166.3	169.9	190.7	191.5	200.6	199.3	218.7
46 Savings institutions	94.6	87.8	99.0	111.7	96.8	99.0	97.6	99.0	102.7	111.7	106.3
47 Credit unions	.0	.0	.2	.5	.2	.2	.3	.3	.4	.5	.4
48 Life insurance companies	0	.0	.2	.6	.1	.2	.3	.3	.3	.6	.6
49 Finance companies	393.0	389.4	390.5	443.0	380.0	390.5	401.9	414.2	420.9	443.0	456.4
50 Mortgage companies	22.2	30.2	29.2	17.8	31.8	29.2	23.8	19.3	17.5	17.8	18.3
51 Real estate investment trusts (REITs)	13.6	13.9	17.4	31.1	15.8	17.4	21.0	24.8	29.5	31.1	32.8
52 Issuers of asset-backed securities (ABSs)	329.1	391.7	473.2	527.6	443.8	473.2	494.9	504.0	514.5	527.6	539.0
					All sectors						
53 **Total credit market debt, domestic and foreign**	**14,232.3**	**15,036.3**	**16,028.7**	**17,071.0**	**15,709.2**	**16,028.7**	**16,255.0**	**16,492.9**	**16,729.9**	**17,071.0**	**17,307.9**
54 U.S. government securities	4,335.7	4,795.5	5,215.8	5,660.7	5,087.7	5,215.8	5,349.2	5,425.9	5,522.5	5,660.7	5,750.6
55 Tax-exempt securities	1,108.6	1,139.7	1,215.2	1,181.1	1,207.4	1,215.2	1,214.6	1,218.0	1,192.9	1,181.1	1,163.4
56 Corporate and foreign bonds	1,856.5	2,023.1	2,277.0	2,419.8	2,216.3	2,277.0	2,330.3	2,365.2	2,392.4	2,419.8	2,462.2
57 Mortgages	3,924.8	4,049.3	4,229.6	4,425.9	4,174.2	4,229.6	4,258.8	4,315.0	4,374.4	4,425.9	4,467.0
58 Consumer credit	797.4	803.0	866.5	984.0	824.3	866.5	863.6	895.3	931.8	984.0	983.8
59 Bank loans n.e.c.	785.9	776.6	768.4	831.5	761.0	768.4	775.4	786.6	803.2	831.5	867.7
60 Open market paper	565.9	579.0	580.0	623.5	568.2	580.0	582.0	587.9	599.2	623.5	654.2
61 Other loans	857.5	870.2	876.2	944.5	870.1	876.2	881.1	899.0	913.7	944.5	959.0

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1991	1992	1993	1994	1993 Q3	1993 Q4	1994 Q1	1994 Q2	1994 Q3	1994 Q4	1995 Q1
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**14,232.3**	**15,036.3**	**16,028.7**	**17,071.0**	**15,709.2**	**16,028.7**	**16,255.0**	**16,492.9**	**16,729.9**	**17,071.0**	**17,307.9**
2 Private domestic nonfinancial sectors	2,240.2	2,318.0	2,330.7	2,571.8	2,276.8	2,330.7	2,378.0	2,448.6	2,475.3	2,571.8	2,533.0
3 Households	1,446.5	1,523.1	1,517.8	1,873.0	1,451.6	1,517.8	1,619.7	1,710.0	1,760.2	1,873.0	1,872.4
4 Nonfarm noncorporate business	44.1	42.9	39.7	37.7	40.6	39.7	38.8	38.4	37.9	37.7	37.7
5 Nonfinancial corporate business	196.2	225.4	248.1	273.5	234.7	248.1	244.0	251.1	255.0	273.5	266.7
6 State and local governments	553.3	526.5	525.2	387.5	549.9	525.2	475.5	449.2	422.3	387.5	356.2
7 U.S. government	246.9	235.0	230.7	206.6	218.8	230.7	219.0	215.4	212.6	206.6	201.7
8 Foreign	958.1	1,052.7	1,171.3	1,304.6	1,118.6	1,171.3	1,203.0	1,218.6	1,252.5	1,304.6	1,370.7
9 Financial sectors	10,787.2	11,430.6	12,296.0	12,988.0	12,095.0	12,296.0	12,455.0	12,610.3	12,789.4	12,988.0	13,202.5
10 Government-sponsored enterprises	390.7	459.7	549.8	673.2	531.8	549.8	572.0	597.9	629.4	673.2	675.3
11 Federally related mortgage pools	1,156.5	1,272.0	1,355.6	1,467.8	1,330.1	1,355.6	1,397.8	1,430.1	1,451.5	1,467.8	1,476.4
12 Monetary authority	272.5	300.4	336.7	368.2	324.2	336.7	341.5	351.6	356.8	368.2	367.1
13 Commercial banking	2,853.3	2,948.6	3,090.8	3,252.8	3,036.4	3,090.8	3,120.2	3,156.2	3,204.2	3,252.8	3,320.5
14 U.S. commercial banks	2,502.5	2,571.9	2,721.5	2,869.6	2,670.2	2,721.5	2,743.8	2,780.3	2,822.4	2,869.6	2,906.4
15 Foreign banking offices	319.2	335.8	326.0	337.1	322.3	326.0	331.8	330.8	335.5	337.1	367.4
16 Bank holding companies	11.9	17.5	17.5	18.4	18.7	17.5	18.2	18.3	19.0	18.4	18.5
17 Banks in U.S. affiliated areas	19.7	23.4	25.8	27.8	25.3	25.8	26.4	26.8	27.3	27.8	28.2
18 Funding corporations	51.5	75.0	93.1	106.9	82.4	93.1	97.9	106.3	112.6	106.9	109.7
19 Thrift institutions	1,192.6	1,134.5	1,132.7	1,167.9	1,136.5	1,132.7	1,134.2	1,146.1	1,159.9	1,167.9	1,175.1
20 Life insurance companies	1,199.6	1,278.8	1,383.9	1,445.0	1,372.1	1,383.9	1,404.2	1,409.1	1,430.3	1,445.0	1,470.4
21 Other insurance companies	376.6	389.4	422.7	443.8	414.6	422.7	429.6	434.8	438.8	443.8	447.0
22 Private pension funds	693.0	730.4	770.6	728.2	785.6	770.6	746.2	738.5	734.1	728.2	752.6
23 State and local government retirement funds	479.9	514.3	542.6	603.3	533.4	542.6	560.8	578.1	584.7	603.3	620.2
24 Finance companies	484.9	486.6	482.8	551.0	474.0	482.8	494.5	511.3	524.1	551.0	568.5
25 Mortgage companies	60.3	60.5	60.4	37.5	63.8	60.4	49.5	40.4	37.0	37.5	38.5
26 Mutual funds	450.5	574.2	743.8	751.4	709.0	743.8	759.2	761.5	767.5	751.4	750.1
27 Closed-end funds	50.3	67.7	77.9	81.4	76.0	77.9	80.0	80.8	81.1	81.4	81.6
28 Money market funds	402.7	404.1	418.7	447.1	400.6	418.7	422.0	421.4	423.4	447.1	468.1
29 Real estate investment trusts (REITs)	7.0	8.1	8.6	13.3	8.6	8.6	10.3	11.9	13.3	13.3	13.9
30 Brokers and dealers	124.0	117.1	126.3	92.3	147.1	126.3	112.4	99.3	94.5	92.3	100.4
31 Asset-backed securities issuers (ABSs)	317.8	377.9	458.0	509.0	430.2	458.0	479.5	489.2	498.5	509.0	518.8
32 Bank personal trusts	223.5	231.5	240.9	248.0	238.7	240.9	243.2	245.7	247.7	248.0	248.4
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
33 **Total credit market debt**	**14,232.3**	**15,036.3**	**16,028.7**	**17,071.0**	**15,709.2**	**16,028.7**	**16,255.0**	**16,492.9**	**16,729.9**	**17,071.0**	**17,307.9**
Other liabilities											
34 Official foreign exchange	55.4	51.8	53.4	53.2	55.6	53.4	56.4	54.9	55.5	53.2	64.1
35 Special drawing rights certificates	10.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
36 Treasury currency	16.3	16.5	17.0	17.6	16.8	17.0	17.1	17.3	17.5	17.6	17.8
37 Life insurance reserves	405.7	433.0	468.2	488.4	459.4	468.2	473.2	475.2	481.2	488.4	494.7
38 Pension fund reserves	4,138.3	4,516.5	4,974.7	5,009.5	4,887.8	4,974.7	4,894.5	4,893.5	5,006.5	5,009.5	5,228.1
39 Interbank claims	96.4	132.8	177.7	272.6	166.9	177.7	205.4	223.9	244.6	272.6	267.5
40 Deposits at financial institutions	5,044.8	5,059.1	5,155.5	5,283.8	5,088.5	5,155.5	5,163.7	5,186.2	5,211.9	5,283.8	5,361.2
41 Checkable deposits and currency	1,020.6	1,134.4	1,251.7	1,241.6	1,181.9	1,251.7	1,220.5	1,229.7	1,204.9	1,241.6	1,193.6
42 Small time and savings deposits	2,350.7	2,293.5	2,223.2	2,182.7	2,236.6	2,223.2	2,233.8	2,214.1	2,198.7	2,182.7	2,206.3
43 Large time deposits	488.4	415.2	391.7	410.7	389.4	391.7	382.6	379.0	402.2	410.7	435.0
44 Money market fund shares	539.6	543.6	562.7	608.2	547.9	562.7	579.7	573.9	583.5	608.2	632.9
45 Security repurchase agreements	355.8	392.3	457.8	542.1	472.5	457.8	474.9	512.9	540.2	542.1	593.6
46 Foreign deposits	289.6	280.1	268.4	298.5	260.2	268.4	272.4	276.6	282.4	298.5	299.7
47 Mutual fund shares	813.9	1,042.1	1,446.3	1,563.9	1,351.7	1,446.3	1,484.8	1,507.8	1,588.6	1,563.9	1,656.4
48 Security credit	188.9	217.3	279.3	277.0	254.5	279.3	282.8	278.0	263.2	277.0	264.2
49 Trade debt	935.9	977.4	1,026.4	1,118.6	1,009.6	1,026.4	1,023.6	1,047.9	1,084.7	1,118.6	1,136.2
50 Taxes payable	71.2	79.6	84.2	87.6	82.8	84.2	89.1	82.3	86.1	87.6	93.4
51 Investment in bank personal trusts	608.3	629.6	660.9	670.0	651.2	660.9	655.2	650.1	671.5	670.0	707.2
52 Miscellaneous	2,992.2	3,160.2	3,403.0	3,717.2	3,314.6	3,403.0	3,515.9	3,573.5	3,668.4	3,717.2	3,714.7
53 **Total liabilities**	**29,609.6**	**31,360.1**	**33,783.1**	**35,638.3**	**33,056.5**	**33,783.1**	**34,124.7**	**34,491.7**	**35,117.5**	**35,638.3**	**36,321.3**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	22.3	19.6	20.1	21.1	20.3	20.1	20.4	20.8	21.0	21.1	22.7
55 Corporate equities	4,863.6	5,462.9	6,186.5	6,048.8	5,941.7	6,186.5	6,052.2	5,877.7	6,135.1	6,048.8	6,573.6
56 Household equity in noncorporate business	2,444.4	2,411.5	2,420.5	2,510.7	2,446.1	2,420.5	2,471.4	2,500.1	2,524.4	2,510.7	2,474.6
Floats not included in assets (−)											
57 U.S. government checkable deposits	3.8	6.8	5.6	3.4	2.2	5.6	.3	.9	1.2	3.4	4.2
58 Other checkable deposits	40.4	42.0	40.7	38.0	33.7	40.7	36.3	38.7	30.6	38.0	32.3
59 Trade credit	−129.3	−124.6	−101.7	−96.4	−130.4	−101.7	−120.9	−128.3	−121.4	−96.4	−108.5
Liabilities not identified as assets (−)											
60 Treasury currency	−4.8	−4.9	−5.1	−5.4	−5.1	−5.1	−5.2	−5.2	−5.3	−5.4	−5.4
61 Interbank claims	−4.2	−9.3	−4.7	−6.5	−7.8	−4.7	−7.7	7.4	−3.5	−6.5	−2.8
62 Security repurchase agreements	9.2	38.1	120.6	170.8	132.6	120.6	135.7	162.7	189.4	170.8	201.6
63 Taxes payable	17.8	25.2	26.2	24.6	24.3	26.2	15.4	21.6	21.7	24.6	6.4
64 Miscellaneous	−330.7	−398.4	−484.8	−469.6	−480.0	−484.8	−453.1	−442.7	−449.9	−469.6	−559.7
65 **Total identified to sectors as assets**	**37,337.6**	**39,679.1**	**42,813.4**	**44,560.0**	**41,895.2**	**42,813.4**	**43,068.0**	**43,250.0**	**44,135.2**	**44,560.0**	**45,824.1**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987=100, except as noted

Measure	1992	1993	1994	1994 Nov.	1994 Dec.	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.[r]	1995 May[r]	1995 June[r]	1995 July
1 **Industrial production**[1]	**107.6**	**112.0**	**118.1**	**120.3**	**121.7**	**122.0**	**122.1**	**122.0**	**121.2**	**121.2**	**121.1**	**121.3**
Market groupings												
2 Products, total	106.5	110.7	115.9	117.5	118.7	119.1	119.1	118.9	118.0	118.0	118.1	118.1
3 Final, total	109.0	113.4	118.4	119.8	121.2	121.6	121.8	121.6	121.0	120.9	121.1	121.3
4 Consumer goods	105.9	109.4	113.2	113.9	115.5	115.7	115.7	114.9	114.4	114.2	114.2	114.2
5 Equipment	113.4	119.3	126.5	128.9	130.1	130.9	131.2	132.0	131.3	131.4	132.0	132.4
6 Intermediate	98.8	102.4	108.1	110.6	110.9	111.3	110.9	110.7	108.9	109.2	108.8	108.2
7 Materials	109.2	114.1	121.5	124.6	126.3	126.5	126.7	126.7	126.1	126.2	125.8	126.3
Industry groupings												
8 Manufacturing	108.0	112.9	119.7	122.6	124.2	124.5	124.2	124.2	123.3	123.2	123.1	122.8
9 Capacity utilization, manufacturing (percent)[2]	79.2	80.9	83.4	84.4	85.2	85.2	84.7	84.4	83.5	83.1	82.8	82.3
10 Construction contracts[3]	97.3	105.2[r]	114.2[r]	116.0	108.0	110.0	113.0	115.0[r]	105.0	115.0	115.0	111.0
11 Nonagricultural employment, total[4]	106.5	108.4	111.3	113.2	113.4	113.6	113.9	114.1	114.1	114.0	114.3	114.3
12 Goods-producing, total	94.2	94.3	95.6	98.0	98.2	98.5	98.6	98.8	98.6	98.2	98.2	97.9
13 Manufacturing, total	95.3	94.8	95.1	97.1	97.2	97.4	97.5	97.5	97.4	97.1	97.0	96.5
14 Manufacturing, production workers	94.9	94.9	96.1	98.5	98.7	98.9	99.1	99.1	99.0	98.6	98.3	97.7
15 Service-producing	110.5	112.9	116.3	118.1	118.3	118.4	118.8	119.0	119.0	119.1	119.4	119.6
16 *Personal income, total*	135.6	141.4	150.0	153.7	154.7	156.0	156.8	157.6	157.9	157.6	158.2	n.a.
17 Wages and salary disbursements	131.6	136.2	145.0	148.1	149.0	150.0	150.7	150.9	151.7	150.7	151.6	n.a.
18 Manufacturing	118.0	120.0	126.0	127.9	128.6	129.0	131.0	130.6	128.9	128.1	128.4	n.a.
19 Disposable personal income[5]	137.0	142.5	150.8	154.7	155.8	156.8	157.6	158.4	157.0	158.2	158.7	n.a.
20 Retail sales[5]	126.4	134.7	145.2	149.8	150.0	150.7	149.6	150.6	150.5	152.2	153.4	153.3
Prices[6]												
21 Consumer (1982–84=100)	140.3	144.5	148.2	149.7	149.7	150.3	150.9	151.4	151.9	152.2	152.5	152.5
22 *Producer finished goods* (1982=100)	123.2	124.7	125.5	126.1	126.2	126.6	126.9	127.1[r]	127.6	128.0	128.2	128.3

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

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

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

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

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1992	1993	1994	1994 Dec.	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May[r]	1995 June[r]	1995 July
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	126,982	128,040	131,056	131,725	132,136	132,308	132,511	132,737	131,811	131,869	132,519
Employment											
2 Nonagricultural industries[3]	114,391	116,232	119,651	121,038	121,064	121,469	121,576	121,478	120,962	121,034	121,550
3 Agriculture	3,207	3,074	3,409	3,532	3,575	3,656	3,698	3,594	3,357	3,451	3,409
Unemployment											
4 Number	9,384	8,734	7,996	7,155	7,498	7,183	7,237	7,665	7,492	7,384	7,559
5 *Rate (percent of civilian labor force)*	7.4	6.8	6.1	5.4	5.7	5.4	5.5	5.8	5.7	5.6	5.7
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**108,604**	**110,525**	**113,423**	**115,624**	**115,810**	**116,123**	**116,302**	**116,310**	**116,248**	**116,498**	**116,553**
7 Manufacturing	18,104	18,003	18,064	18,472	18,502	18,523	18,525	18,506	18,456	18,422	18,337
8 Mining	635	611	604	592	590	588	589	583	582	582	578
9 *Contract construction*	4,492	4,642	4,916	5,166	5,201	5,213	5,256	5,242	5,190	5,231	5,231
10 Transportation and public utilities	5,721	5,787	5,842	6,121	6,129	6,156	6,175	6,184	6,177	6,189	6,197
11 Trade	25,354	25,675	26,362	26,988	27,011	27,069	27,047	27,062	27,045	27,115	27,186
12 Finance	6,602	6,712	6,789	6,931	6,927	6,929	6,938	6,924	6,925	6,934	6,941
13 Service	29,052	30,278	31,805	32,135	32,228	32,404	32,524	32,548	32,630	32,756	32,816
14 Government	18,653	18,817	19,041	19,219	19,222	19,241	19,248	19,261	19,243	19,269	19,267

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

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

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1994 Q3	1994 Q4	1995 Q1	1995 Q2[r]	1994 Q3	1994 Q4	1995 Q1	1995 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2[r]
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**118.8**	**120.5**	**122.0**	**121.2**	**140.9**	**141.9**	**143.1**	**144.5**	**84.3**	**84.9**	**85.2**	**83.9**
2 Manufacturing	120.5	122.7	124.3	123.2	144.2	145.3	146.6	148.2	83.6	84.5	84.7	83.1
3 Primary processing[3]	115.9	118.4	119.3	117.1	131.6	132.3	133.2	134.2	88.1	89.5	89.5	87.3
4 Advanced processing[4]	122.7	124.8	126.6	126.1	150.0	151.3	152.9	154.7	81.8	82.5	82.8	81.5
5 Durable goods	126.5	129.4	131.6	130.3	151.6	153.1	154.9	157.1	83.4	84.6	84.9	83.0
6 Lumber and products	106.6	107.9	107.6	103.8	116.0	116.5	117.1	118.0	91.9	92.7	91.9	88.0
7 Primary metals	114.1	119.4	120.4	116.9	125.2	125.4	126.7	127.5	91.1	95.2	95.0	91.7
8 *Iron and steel*	115.8	123.3	125.4	120.9	128.4	128.8	130.9	131.7	90.2	95.8	95.9	91.8
9 Nonferrous	111.4	113.9	113.7	111.4	120.5	120.5	120.9	121.6	92.4	94.5	94.1	91.6
10 Industrial machinery and equipment	162.6	167.5	171.5	173.3	181.6	184.1	187.8	192.6	89.6	91.0	91.3	90.0
11 Electrical machinery	163.5	169.4	174.0	177.0	184.1	188.5	193.8	199.9	88.8	89.9	89.8	88.5
12 Motor vehicles and parts	135.0	141.5	145.9	136.1	160.3	162.2	164.2	166.5	84.2	87.2	88.8	81.7
13 Aerospace and miscellaneous transportation equipment	82.1	80.8	81.5	82.2	129.4	129.1	128.8	128.5	63.5	62.6	63.3	64.0
14 Nondurable goods	113.8	115.3	116.1	115.3	135.5	136.3	137.1	138.0	84.0	84.6	84.7	83.5
15 Textile mill products	108.9	111.6	111.8	108.7	121.4	122.0	122.7	123.5	89.7	91.4	91.1	88.0
16 Paper and products	118.5	120.6	120.3	119.6	127.1	127.7	128.4	129.3	93.2	94.4	93.6	92.5
17 Chemicals and products	124.4	126.0	129.7	127.7	153.3	154.7	156.2	157.6	81.1	81.4	83.1	81.0
18 Plastics materials	126.9	130.2	134.3	...	130.8	131.6	132.6	...	97.0	98.9	101.3	...
19 Petroleum products	104.9	106.5	107.8	106.5	115.2	115.1	115.1	115.3	91.1	92.5	93.7	92.4
20 Mining	100.1	99.2	100.3	100.7	111.5	111.4	111.4	111.4	89.8	89.0	90.0	90.4
21 Utilities	118.1	116.3	118.2	119.2	135.4	135.8	136.3	136.8	87.2	85.6	86.8	87.1
22 Electric	118.2	117.3	118.5	119.9	133.1	133.6	134.1	134.7	88.8	87.8	88.4	89.0

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1994 July	1995 Feb.	1995 Mar.	1995 Apr.[r]	1995 May[r]	1995 June	1995 July[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.9**	**78.0**	**84.1**	**85.3**	**84.9**	**84.1**	**83.9**	**83.6**	**83.4**
2 Manufacturing	88.9	70.8	87.3	70.0	85.2	76.6	83.3	84.7	84.4	83.5	83.1	82.8	82.3
3 Primary processing[3]	92.2	68.9	89.7	66.8	89.0	77.9	87.7	89.4	89.0	88.0	87.5	86.5	85.8
4 Advanced processing[4]	87.5	72.0	86.3	71.4	83.5	76.2	81.5	82.8	82.5	81.8	81.4	81.3	80.9
5 Durable goods	88.8	68.5	86.9	65.0	84.0	73.7	82.8	84.9	84.6	83.4	82.8	82.7	82.2
6 Lumber and products	90.1	62.2	87.6	60.9	93.3	76.3	92.2	91.7	89.6	89.1	87.2	87.6	86.3
7 Primary metals	100.6	66.2	102.4	46.8	92.8	74.0	90.0	94.5	94.9	92.6	92.3	90.2	88.8
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.1	90.5	94.9	96.2	93.3	92.6	89.6	88.1
9 Nonferrous	92.9	61.3	90.5	62.2	88.7	75.0	89.6	94.2	93.4	91.8	91.9	91.1	89.7
10 Industrial machinery and equipment	96.4	74.5	92.1	64.9	84.0	72.5	88.9	91.1	90.8	90.2	90.0	89.7	89.8
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	76.6	88.4	89.8	89.5	88.5	88.5	88.6	89.6
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	85.1	57.6	81.1	89.3	87.8	83.9	80.7	80.6	77.6
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	88.4	79.4	63.9	63.4	64.0	64.1	63.9	63.9	63.0
14 Nondurable goods	87.9	71.8	87.0	76.9	86.7	80.4	84.0	84.6	84.3	83.8	83.7	83.0	82.6
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.9	90.3	90.4	90.4	90.2	88.4	85.4	84.1
16 Paper and products	96.9	69.0	94.2	82.0	94.8	86.5	91.8	93.7	93.7	92.7	93.8	91.1	92.6
17 Chemicals and products	87.9	69.9	85.1	70.1	85.9	78.9	81.6	83.0	82.5	81.3	81.2	80.6	80.4
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	97.9	100.6	97.5	97.1	97.0	...	...
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	83.7	90.5	93.5	94.2	92.8	92.1	92.3	93.0
20 Mining	94.4	88.4	96.6	80.6	86.5	86.0	89.8	90.3	89.9	90.4	90.3	90.6	91.5
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.2	88.0	87.5	87.1	86.4	87.9	87.1	90.0
22 Electric	99.0	82.7	88.3	78.7	94.8	86.5	89.5	88.7	88.8	88.1	90.0	89.0	92.7

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1994 avg.	1994						1995						
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June	July[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**118.1**	**118.2**	**119.1**	**119.0**	**119.5**	**120.3**	**121.7**	**122.0**	**122.1**	**122.0**	**121.2**	**121.2**	**121.1**	**121.3**
2 Products	60.9	115.9	116.2	116.7	116.4	116.9	117.5	118.7	119.1	119.1	118.9	118.0	118.0	118.1	118.1
3 *Final products*	46.6	*118.4*	*118.5*	*119.2*	*118.9*	*119.2*	*119.8*	*121.2*	*121.6*	*121 8*	*121.6*	*121.0*	*120.9*	*121.1*	*121.3*
4 Consumer goods, total	28.5	113.2	113.3	113.8	113.0	113.0	113.9	115.5	115.7	115.7	114.9	114.4	114.2	114.2	114.2
5 Durable consumer goods	5.5	119.4	118.0	120.7	119.1	119.4	120.5	123.4	124.5	123.4	121.4	119.4	116 3	116.7	114.7
6 Automotive products	2.5	125.5	119.5	124.9	123.8	124.5	127.1	131.1	131.7	132.3	129.7	126.1	121.0	122.9	119.3
7 Autos and trucks	1.6	125.4	115.0	126.0	122.5	122.3	126.5	131.4	132.7	133.5	130.8	124.9	119 0	120.2	115.4
8 Autos, consumer	.9	94.9	86.5	91.7	90.2	92.9	94.0	100.5	103.6	103.6	103.1	94.4	88.2	86.6	87.7
9 Trucks, consumer	.7	180.7	166.6	189.0	181.5	175.5	185.8	187.3	184.6	187 1	180.0	180.2	175.3	182.2	165.5
10 Auto parts and allied goods	.9	123.2	126.6	120.0	123.9	126.6	125.7	127.8	126.9	127 0	124.8	126.1	122.9	126.1	125.1
11 Other	3.0	114.1	116.7	117.1	115.2	115.2	115.0	116.8	118.3	115.9	114.3	113.8	112.3	111.4	110.8
12 Appliances televisions and air conditioners	.7	126.0	129.7	135.1	130.2	124.9	126.9	131.5	132.1	125.8	122.7	121.9	124.6	122.7	124.3
13 Carpeting and furniture	.8	105.0	108.4	106.9	104.1	107.4	105.9	108.0	110.2	107 9	106.5	106.9	102.4	100.7	99.5
14 *Miscellaneous home goods*	1.5	113.8	115.3	114.6	114.6	114.9	114.5	114.9	116.5	115.8	114.7	113.8	112.3	112.2	111.2
15 Nondurable consumer goods	23.0	111.8	112.2	112.2	111.7	111.5	112.4	113.7	113.6	113.9	113.5	113.3	113.8	113.8	114 2
16 Foods and tobacco	10.3	110.5	110.6	111.2	111.9	112.2	112.4	114.3	113.1	112 9	112.9	113.8	114.4	114.9	114.7
17 Clothing	2.4	95.9	96.5	95.9	95.5	96.2	96.2	96.8	96.1	94.7	94.6	93.6	93.0	91.8	89.7
18 Chemical products	4.5	129.7	131.1	129.8	127.5	127.2	130.5	134.0	137.0	136.6	135.9	133.7	133.5	133.2	133.5
19 Paper products	2.9	104.7	105.2	105.9	105.2	103.6	104.6	104.3	103.4	104.1	102.9	104.2	103.7	103.4	103.9
20 Energy	2.9	113.9	114.3	113.1	110.5	109.8	110.6	109.6	110.4	114.1	113.3	111.2	114.7	114.0	119 7
21 Fuels	.9	106.7	105.8	105.8	107.4	103.9	109.8	107.4	107.4	109.1	110.6	109.9	108.3	108.4	109.2
22 Residential utilities	2.1	116.8	117.8	116.1	111.8	112.2	110.7	110.3	111.6	116 0	114.3	111.6	117.3	116.3	124.0
23 Equipment	18.1	126.5	126.4	127.5	128.0	128.8	128.9	130.1	130.9	131.2	132.0	131.3	131.4	132.0	132.4
24 Business equipment	14.0	146.7	146.9	148.9	149.5	150.9	151.0	152.6	153.7	154.5	155.9	154.9	154.9	156.0	156.5
25 Information processing and related	5.7	176.4	177.1	179.7	181.1	183.2	184.2	188.3	188.7	189 1	192.3	193.7	194.1	197.8	200.6
26 Computer and office equipment	1.5	284.2	282.6	288.9	295.8	300.5	305.7	311.9	318.0	325.3	331.8	340.0	346.9	356.2	369.4
27 Industrial	4.0	120.9	122.1	122.3	123.0	124.4	124.1	124.1	125.9	126.1	126.2	124.8	125.6	125.8	126.1
28 Transit	2.6	137.9	132.6	137.9	136.8	137.1	137.5	137.8	139.7	143.4	144.7	140.8	137.4	137.9	135.0
29 Autos and trucks	1.2	148.0	138.2	149.4	147.7	149.2	151.6	152.6	157.2	157.7	154.9	147.1	142.2	143.1	140.8
30 Other	1.7	129.4	132.6	133.5	133.3	134.3	133.1	133.1	133.5	132 9	132.6	130.4	131.2	128.3	128.0
31 Defense and space equipment	3.4	71.0	69.9	69.2	68.8	68.7	69.0	68.7	68.6	67 7	67.5	66.8	66.8	66.9	66.4
32 Oil and gas well drilling	.5	90.8	93.7	89.6	93.9	88.3	86.0	86.0	86.7	89 1	85.7	89.2	91.9	86.4	89.6
33 Manufactured homes	.2	137.3	133.3	134.5	138.4	142.0	143.1	153.6	153.6	147.4	148.3	147.2	150.4	152.4	. .
34 Intermediate products, total	14 3	108.1	109.1	109.2	108.6	109.9	110.6	110.9	111.3	110.9	110.7	108.9	109.2	108.8	108.2
35 Construction supplies	5.3	106.8	107.9	108.2	108.6	109.7	109.8	111.6	112.2	111.0	110.5	108.6	107.3	107.4	106.5
36 Business supplies	9.0	109.1	110.0	109.9	108.7	110.1	111.3	110.7	110.9	111.0	110.9	109.3	110.5	109.8	109.4
37 Materials	39.1	121.5	121.4	122.8	122.9	123.4	124.6	126.3	126.5	126.7	126.7	126.1	126.2	125.8	126.3
38 Durable goods materials	20.6	131.2	130.9	132.6	133.3	134.2	136.0	138.6	139.1	139.2	139.2	138.4	138.3	138.3	138.1
39 Durable consumer parts	3.9	132.2	130.4	133.2	133.1	133.8	135.8	139.7	139.1	139.1	138.3	134.7	132.7	132.6	129.5
40 Equipment parts	7.5	143.1	143.8	145.2	146.7	149.0	150.7	152.3	153.6	155 1	156.2	157.7	158.8	160.3	163.1
41 Other	9.1	121.3	121.1	122.3	122.8	122.7	124.6	127.3	127.6	126 7	126.3	124.9	124.7	123.6	122.5
42 Basic metal materials	3.0	119.7	118.8	119.3	121.1	121.3	123.2	126.0	125.6	124.8	125.2	123 5	123.9	121.3	120.1
43 Nondurable goods materials	8.9	118.4	118.6	120.3	119.8	120.3	121.5	122.8	122.3	121.8	121.7	120.9	121.4	119.5	119.7
44 Textile materials	1.1	105.3	104.8	105.7	105.9	106.9	110.3	108.7	109.8	108.5	108.8	108.1	106.7	102.3	100.7
45 Paper materials	1.8	118.7	117.5	122.5	121.5	120.5	122.1	121.3	120.8	122.1	124.1	121.9	125.8	120.2	122.8
46 Chemical materials	4.0	123.2	123.4	124.8	124.0	124.6	125.9	127.5	128.6	128.3	127.6	127.0	127.4	126.8	126.9
47 Other	2.0	116.9	118.6	118.1	118.2	119.5	119.3	123.4	119.1	116.8	116.0	115.8	114.7	115.1	114.3
48 Energy materials	*9.6*	*105.2*	*105.2*	*106.1*	*105.6*	*105.2*	*104.9*	*105.3*	*105.6*	*106.6*	*106.6*	*106.7*	*106.7*	*107.0*	*108.8*
49 Primary energy	6.3	100.3	100.3	100.9	100.8	100.3	100.7	101.7	101.7	102.0	102.5	102.4	101.8	102.5	104.0
50 Converted fuel materials	3.3	114.9	114.9	116.3	115.1	115.1	113.4	112.3	113.4	115.6	114.7	115.2	116.5	115.8	118.4
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.2	117.6	118.1	118.7	118.6	119.1	119.8	121.1	121.4	121.4	121.4	120.8	121.0	120.9	121.2
52 Total excluding motor vehicles and parts	95.2	117.1	117.7	118.2	118.0	118.5	119.2	120.5	120.8	120.8	120.8	120.3	120.6	120.4	120.8
53 Total excluding computer and office equipment	98.3	115.4	115.5	116.4	116.1	116.6	117.4	118.7	118.9	118.9	118.7	117.9	117.8	117.6	117.6
54 Consumer goods excluding autos and trucks	26.9	112.4	113.2	113.0	112.4	112.4	113.1	114.5	114.6	114.5	113.9	113.8	113.9	113.9	114.2
55 Consumer goods excluding energy	25.6	113.1	113.2	113.8	113.3	113.3	114.2	116.2	116.3	115.9	115.1	114.8	114.2	114.2	113.6
56 *Business equipment excluding autos and trucks*	12.8	146.5	147.7	148.8	149.5	151.0	150.9	152.5	153.3	154.1	155.9	155.6	156.0	157.1	158.0
57 Business equipment excluding computer and office equipment	12.5	130.7	131.1	132.7	132.7	133.8	133.6	134.7	135.4	135.6	136.6	135.0	134.3	134.8	134.3
58 Materials excluding energy	29.5	127.3	127.2	128.8	129.2	129.9	131.6	133.8	134.0	133.9	133.9	133.0	133.1	132.5	132.5

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

Group	SIC[2] code	1992 proportion	1994 avg.	1994 July	Aug	Sept.	Oct.	Nov.	Dec.	1995 Jan.	Feb.	Mar.	Apr.[r]	May[r]	June	July[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	..	**100.0**	**118.1**	**118.2**	**119.1**	**119.0**	**119.5**	**120.3**	**121.7**	**122.0**	**122.1**	**122.0**	**121.2**	**121.2**	**121.1**	**121.3**
60 Manufacturing	..	85.5	119.7	119.8	120.9	120.9	121.5	122.6	124.2	124.5	124.2	124.2	123.3	123.2	123.1	122.8
61 Primary processing	..	26.5	115.3	115.3	116.3	116.2	116.6	118.4	120.3	119.8	119.1	118.9	117.7	117.4	116.3	115.7
62 Advanced processing	...	59.0	121.8	121.9	123.1	123.1	123.8	124.6	126.0	126.6	126.6	126.7	126.0	125.9	126.3	126.2
63 Durable goods	...	45.1	125.5	125.2	127.0	127.2	128.0	129.1	131.2	131.6	131.5	131.6	130.4	130.1	130.5	130.2
64 Lumber and products	24	2.0	106.0	106.8	105.5	107.6	106.7	106.7	110.4	110.2	107.4	105.2	104.9	102.9	103.5	102.2
65 Furniture and fixtures	25	1.4	111.4	114.0	115.5	112.4	114.8	113.0	114.7	116.0	115.6	113.8	112.7	110.7	110.8	110.1
66 Stone, clay, and glass products	32	2.1	104.9	104.3	105.8	105.8	105.4	106.9	110.1	108.7	107.4	108.1	105.8	106.0	106.0	106.1
67 Primary metals	33	3.1	114.5	112.7	113.5	116.0	115.9	119.1	123.0	120.9	119.8	120.5	117.8	117.6	115.3	113.6
68 Iron and steel	331,2	1.7	118.3	116.1	113.0	118.2	118.8	121.9	129.3	125.9	124.3	126.1	122.6	122.0	118.3	116.5
69 Raw steel	...	.1	107.9	104.7	107.0	109.9	109.0	114.2	121.9	114.6	117.2	117.2	114.3	112.4	112.7	...
70 Nonferrous	333–6,9	1.4	109.3	108.0	113.6	112.7	111.8	115.2	114.8	114.2	113.8	113.1	111.5	111.8	111.1	109.5
71 Fabricated metal products	34	5.0	110.8	111.7	112.4	111.6	112.2	113.3	115.3	115.3	114.9	114.6	112.9	113.7	113.6	112.2
72 Industrial machinery and equipment	35	7.9	159.9	160.6	162.6	164.6	166.5	167.5	168.5	171.4	171.1	172.0	172.3	173.3	174.2	175.8
73 Computer and office equipment	357	1.7	284.2	282.6	288.9	295.8	300.5	305.7	311.9	318.0	325.3	331.8	340.0	346.9	356.2	369.4
74 *Electrical machinery*	36	7.3	*160.0*	*161.5*	*164.1*	*165.0*	*166.9*	*168.8*	*172.5*	*172.9*	*174.0*	*175.2*	*175.1*	*177.0*	*178.8*	*182.6*
75 Transportation equipment	37	9.6	109.7	105.7	109.5	108.8	109.0	110.5	111.9	112.6	113.5	112.9	110.1	107.7	107.9	105.1
76 Motor vehicles and parts	371	4.8	137.9	129.6	138.1	137.4	138.4	141.4	144.6	146.1	146.7	144.8	139.0	134.4	134.8	130.5
77 Autos and light trucks	371	2.5	131.9	120.8	131.9	128.4	128.6	132.7	138.4	140.0	140.8	138.2	131.3	124.8	125.6	121.4
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.8	82.6	82.8	82.3	81.4	80.8	80.9	80.6	80.4	81.7	82.3	82.4	82.1	82.1	80.9
79 Instruments	38	5.4	107.4	108.5	108.7	108.0	108.2	107.7	108.9	108.4	107.7	108.5	108.4	107.2	108.0	108.0
80 Miscellaneous	39	1.3	116.2	118.6	117.1	117.0	118.4	118.6	117.6	119.1	120.3	119.0	118.2	117.3	117.9	116.3
81 Nondurable goods	...	40.5	113.3	113.6	114.0	113.7	114.2	115.4	116.4	116.5	116.1	115.8	115.4	115.5	114.8	114.6
82 Foods	20	9.4	112.8	113.4	113.7	114.6	113.4	113.9	114.7	115.9	115.7	115.4	115.3	116.5	116.6	116.7
83 Tobacco products	21	1.6	96.5	93.7	96.2	96.1	104.5	101.5	108.0	97.3	96.4	97.9	104.1	103.1	104.9	103.3
84 Textile mill products	22	1.8	109.0	109.4	109.0	108.3	110.6	112.0	112.2	113.3	110.9	111.2	111.2	109.2	105.6	104.3
85 Apparel products	23	2.2	96.3	97.0	96.8	96.8	96.9	96.8	97.0	96.6	95.8	95.4	93.9	93.5	91.6	89.8
86 Paper and products	26	3.6	117.4	116.6	120.2	118.7	118.9	121.3	121.7	119.8	120.3	120.6	119.6	121.2	118.1	120.2
87 Printing and publishing	27	6.8	101.1	102.1	101.5	100.9	101.4	102.0	101.6	101.3	100.8	100.4	99.7	100.2	99.5	99.1
88 Chemicals and products	28	9.9	124.1	124.7	124.7	123.7	123.8	126.2	128.0	130.4	129.7	129.2	127.8	127.9	127.5	127.4
89 Petroleum products	29	1.4	105.3	104.3	105.2	105.3	104.0	107.6	107.7	107.4	107.6	108.5	106.9	106.2	106.5	107.4
90 Rubber and plastic products	30	3.5	133.5	134.5	134.5	134.7	136.7	138.3	140.0	140.2	140.5	139.1	139.6	136.6	136.4	134.3
91 Leather and products	31	.3	85.8	86.3	85.5	85.4	85.6	84.5	84.4	82.9	82.8	82.7	80.2	80.5	79.2	77.0
92 Mining	...	6.8	99.8	100.1	100.0	100.1	99.2	98.3	100.1	100.0	100.6	100.2	100.7	100.6	100.9	101.9
93 Metal	10	.4	159.4	159.5	156.6	160.0	158.9	154.3	156.2	158.5	160.4	159.3	158.7	162.3	163.5	163.9
94 Coal	12	1.0	112.0	108.6	111.4	110.7	110.2	110.1	117.8	117.9	118.6	117.4	114.1	109.7	111.9	114.5
95 Oil and gas extraction	13	4.7	93.0	93.9	93.5	93.7	92.2	91.2	92.2	91.2	92.3	91.6	93.0	93.8	93.5	94.1
96 Stone and earth minerals	14	.6	107.0	107.9	106.6	106.7	109.3	109.9	109.9	115.1	112.0	114.8	114.2	112.5	114.0	115.5
97 Utilities	...	7.7	118.1	119.0	118.8	116.5	117.2	116.5	115.2	116.5	119.2	118.9	118.0	120.3	119.2	123.5
98 Electric	491,3PT	6.1	117.8	119.0	118.4	117.1	117.9	117.5	116.5	117.2	119.0	119.3	118.6	121.2	120.0	125.2
99 Gas	492,3PT	1.6	119.2	118.9	120.4	114.2	114.4	112.3	109.8	113.7	120.1	117.3	115.9	116.4	116.0	116.5
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.7	118.6	119.2	119.8	119.9	120.5	121.5	122.9	123.2	122.9	122.9	122.4	122.5	122.4	122.4
101 Manufacturing excluding office and computing machines	...	83.8	116.5	116.6	117.6	117.5	118.1	119.1	120.6	120.8	120.5	120.4	119.4	119.2	119.0	118.5
				Gross value (billions of 1987 dollars, annual rates)												
MAJOR MARKETS																
102 **Products, total**	...	**1,707.0**	**2,006.2**	**2,002.1**	**2,020.2**	**2,015.6**	**2,020.4**	**2,037.2**	**2,056.5**	**2,063.2**	**2,066.5**	**2,065.1**	**2,049.6**	**2,048.3**	**2,051.4**	**2,052.4**
103 Final	...	1,314.6	1,576.3	1,569.3	1,586.6	1,584.2	1,584.4	1,598.4	1,615.1	1,621.1	1,626.4	1,626.1	1,615.5	1,614.2	1,619.0	1,621.3
104 Consumer goods	...	866.6	982.5	979.0	987.3	981.5	977.0	988.5	999.6	1,000.2	1,001.9	997.3	989.6	987.1	987.6	986.4
105 Equipment	...	448.0	593.8	590.3	599.3	602.7	607.3	609.9	615.5	620.9	624.5	628.7	625.9	627.1	631.4	634.9
106 Intermediate	...	392.5	429.8	432.9	433.5	431.4	436.0	438.8	441.4	442.0	440.1	439.0	434.1	434.1	432.4	431.1

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1992	1993	1994	1994				1995					
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb	Mar.	Apr.[1]	May[1]	June
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,095	1,199	1,372	1,426	1,401	1,358	1,420	1,293	1,282	1,235	1,243	1,243	1,275
2 One-family	911	987	1,068	1,066	1,046	1,025	1,105	990	931	911	905	930	958
3 Two-family or more	184	213	303	360	355	333	315	303	351	324	338	313	317
4 Started	1,200	1,288	1,457	1,511	1,451	1,536	1,545	1,366	1,319	1,238	1,269	1,282	1,293
5 One-family	1,030	1,126	1,198	1,235	1,164	1,186	1,250	1,055	1,048	987	1,009	988	1,030
6 Two-family or more	170	162	259	276	287	350	295	311	271	251	260	294	263
7 Under construction at end of period[1]	612	680	762	773	779	787	791	792	797	769	763	757	762
8 One-family	473	543	558	590	587	587	584	578	579	552	544	536	536
9 Two-family or more	140	137	204	183	192	200	207	214	218	217	219	221	226
10 Completed	1,158	1,193	1,347	1,400	1,376	1,371	1,388	1,436	1,302	1,443	1,334	1,330	1,251
11 One-family	964	1,040	1,160	1,158	1,169	1,136	1,173	1,209	1,080	1,222	1,089	1,076	1,035
12 Two-family or more	194	153	187	242	207	235	215	227	222	221	245	254	216
13 Mobile homes shipped	210	254	304	307	314	322	347	361	335	333	318	329	329
Merchant builder activity in one-family units													
14 Number sold	610	666	670	691	707	642	627	643	575	612[r]	610	686	728
15 Number for sale at end of period[1]	265	293	338	328	330	335	338	342	347	347[r]	348	347	347
Price of units sold (thousands of dollars)[2]													
16 Median	121.3	126.1	130.4	129.7	132.0	129.9	135.0	127.9	135.0	130.0	133.0	133.9	132.0
17 Average	144.9	147.6	153.7	157.2	153.0	155.4	159.6	147.4	160.2	153.3[r]	157.4	157.6	161.8
EXISTING UNITS (one-family)													
18 Number sold	3,520	3,800	3,946	3,870	3,820	3,690	3,760	3,610	3,420	3,620	3,390	3,550	3,800
Price of units sold (thousands of dollars)[2]													
19 Median	103.6	106.5	109.6	108.9	107.5	108.7	109.1	108.1	107.0	107.9	108.1	109.0	116.2
20 Average	130.8	133.1	136.4	135.8	133.0	134.7	135.6	135.3	133.4	134.5	134.2	135.4	143.3
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**435,022**	**464,504**	**506,904**	**518,324**	**521,296**	**520,183**	**521,771**	**521,054**	**521,429**	**523,467**	**523,597**	**515,816**	**520,408**
22 Private	315,695	339,161	376,566	384,460	382,946	387,052	386,103	384,806	383,652	383,301	383,356	376,680	379,784
23 Residential	187,870	210,455	238,884	242,215	240,484	242,447	243,565	241,938	240,207	237,894	235,138	232,074	230,231
24 Nonresidential	127,825	128,706	137,682	142,245	142,462	144,605	142,538	142,868	143,445	145,407	148,218	144,606	149,553
25 Industrial buildings	20,720	19,533	21,121	21,935	21,894	25,060	22,769	22,715	23,370	23,911	24,984	24,907	25,122
26 Commercial buildings	41,523	42,627	48,552	50,738	51,195	52,008	53,491	53,338	53,687	55,439	55,069	51,785	55,020
27 Other buildings	21,494	23,626	23,912	23,559	23,677	24,147	24,694	24,373	24,039	23,062	23,922	24,326	23,939
28 Public utilities and other	44,088	42,920	44,097	46,013	45,696	43,390	41,584	42,442	42,349	42,995	44,243	43,588	45,472
29 Public	119,322	125,342	130,337	133,865	138,349	133,131	135,668	136,248	137,777	140,166	140,241	139,135	140,624
30 Military	2,502	2,454	2,319	2,361	2,344	2,354	2,784	2,925	2,624	3,048	2,869	2,602	2,601
31 Highway	34,899	37,431	39,882	40,519	40,992	39,283	38,464	38,574	38,681	40,667	41,047	38,763	40,624
32 Conservation and development	6,021	5,978	6,228	7,339	7,197	6,331	7,466	6,681	7,128	7,139	6,386	5,939	6,051
33 Other	75,900	79,479	81,908	83,646	87,816	85,163	86,954	88,068	89,344	89,312	89,939	91,831	91,348

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

SOURCES. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, July 1995[1]
	1994 July	1995 July	1994		1995[r]		1995					
			Sept.	Dec.	Mar.	June	Mar.[r]	Apr.[r]	May	June	July	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.8**	**2.8**	**3.6**	**1.9**	**3.2**	**3.2**	**.2**	**.4**	**.3**	**.1**	**.2**	**152.5**
2 Food	2.8	2.7	5.1	3.9	.0	3.6	.0	.7	.1	.1	.2	148.1
3 Energy items	.9	1.2	9.2	.4	−1.1	5.4	−.5	.4	.5	.5	−.8	108.1
4 All items less food and energy	2.9	3.0	2.6	2.0	4.1	3.0	.3	.4	.2	.2	.2	161.1
5 Commodities	1.8	1.1	.9	.3	2.6	.6	.1	.2	.0	−.1	.1	138.3
6 Services	3.4	3.8	3.6	2.6	4.8	4.3	.4	.4	.3	.3	.3	174.1
PRODUCER PRICES (1982=100)												
7 Finished goods	.6	1.8	1.9	2.2	3.2	.9	.2	.3	.0	−.1	.0	128.3
8 Consumer foods	1.0	1.8	1.9	9.2	−1.2	−4.9	−.1	−.3	−.6	−.3	1.2	128.5
9 Consumer energy	.0	.5	3.2	.0	11.3	2.0	.0	1.8	−.2	−1.0	−2.5	80.0
10 Other consumer goods	−.4	2.2	1.7	.6	2.9	3.2	.2	.2	.4	.2	.2	142.0
11 Capital equipment	2.2	1.9	2.1	−.3	3.0	2.4	.1	.1	.2	.2	.1	136.7
Intermediate materials												
12 Excluding foods and feeds	2.0	6.5	6.2	7.2	10.6	3.9	.4	.6	.3	.0	.0	126.7
13 Excluding energy	2.5	7.4	6.8	8.3	10.5	4.2	.4	.6	.2	.2	.3	136.1
Crude materials												
14 Foods	−3.6	1.1	−13.5	−1.2	−4.6	−.4	−2.4	−1.0	−3.0	4.0	4.1	104.7
15 Energy	.4	−10.1	−19.2	−7.6	−4.5	15.3	−.7	5.5	1.6	−3.4	−5.4	67.7
16 Other	9.1	13.6	20.3	27.9	21.9	4.1	.9	.8	−.3	.6	−1.8	176.7

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

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

Account	1992	1993	1994	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,020.2**	**6,343.3**	**6,738.4**	**6,689.9**	**6,791.7**	**6,897.2**	**6,977.4**	**7,011.8**
By source								
2 Personal consumption expenditures	4,136.9	4,378.2	4,628.4	4,586.4	4,657.5	4,734.8	4,782.1	4,838.3
3 Durable goods	492.7	538.0	591.5	580.3	591.5	617.7	615.2	615.1
4 Nondurable goods	1,295.5	1,339.2	1,394.3	1,381.4	1,406.1	1,420.7	1,432.2	1,444.3
5 Services	2,348.7	2,501.0	2,642.7	2,624.7	2,659.9	2,696.4	2,734.8	2,778.9
6 Gross private domestic investment	788.3	882.0	1,032.9	1,034.4	1,055.1	1,075.6	1,107.8	1,087.4
7 Fixed investment	785.2	866.7	980.7	967.0	992.5	1,020.8	1,053.3	1,054.0
8 Nonresidential	561.4	616.1	697.6	683.3	709.1	732.8	766.4	777.4
9 Structures	171.1	173.4	182.8	181.8	184.6	192.0	198.6	204.0
10 Producers' durable equipment	390.3	442.7	514.8	501.5	524.5	540.7	567.8	573.4
11 Residential structures	223.8	250.6	283.0	283.6	283.4	288.0	286.8	276.5
12 Change in business inventories	3.0	15.4	52.2	67.4	62.6	54.8	54.5	33.4
13 Nonfarm	−2.7	20.1	45.9	60.4	53.4	47.4	54.1	38.0
14 Net exports of goods and services	30.3	−65.3	−98.2	−97.6	109.6	−98.9	−111.1	122.4
15 Exports	638.1	659.1	718.7	704.5	730.5	765.5	778.8	797.9
16 Imports	668.4	724.3	816.9	802.1	840.1	864.4	889.9	920.4
17 Government purchases of goods and services	1,125.3	1,148.4	1,175.3	1,166.7	1,188.8	1,185.8	1,198.7	1,208.5
18 Federal	449.0	443.6	437.3	435.1	444.3	431.9	434.4	434.4
19 State and local	676.3	704.7	738.0	731.5	744.5	753.8	764.3	774.1
By major type of product								
20 Final sales, total	6,017.2	6,327.9	6,686.2	6,622.5	6,729.1	6,842.4	6,922.9	6,978.4
21 Goods	2,292.0	2,390.4	2,532.4	2,493.7	2,543.6	2,603.3	2,638.1	2,643.1
22 Durable	968.6	1,032.4	1,118.8	1,099.4	1,125.8	1,151.8	1,175.0	1,172.7
23 Nondurable	1,323.4	1,358.1	1,413.6	1,394.3	1,417.8	1,451.5	1,463.1	1,470.3
24 Services	3,227.2	3,405.5	3,576.2	3,555.4	3,603.6	3,641.9	3,680.6	3,735.4
25 Structures	498.1	532.0	577.6	573.4	581.9	597.3	604.3	599.9
26 Change in business inventories	3.0	15.4	52.2	67.4	62.6	54.8	54.5	33.4
27 Durable goods	13.0	8.6	34.8	38.2	44.1	36.3	48.0	28.2
28 Nondurable goods	16.0	6.7	17.4	29.2	18.5	18.5	6.5	5.2
MEMO								
29 **Total GDP in 1987 dollars**	**4,979.3**	**5,134.5**	**5,344.0**	**5,314.1**	**5,367.0**	**5,433.8**	**5,470.1**	**5,477.3**
NATIONAL INCOME								
30 **Total**	**4,829.5**	**5,131.4**	**5,458.4**	**5,430.7**	**5,494.9**	**5,599.4**	**5,688.4**	n.a.
31 Compensation of employees	3,591.2	3,780.4	4,004.6	3,979.3	4,023.7	4,095.3	4,157.3	4,183.2
32 Wages and salaries	2,954.8	3,100.8	3,279.0	3,257.2	3,293.9	3,356.4	3,403.4	3,422.1
33 Government and government enterprises	567.3	583.8	602.8	601.9	604.4	609.0	617.2	620.3
34 Other	2,387.5	2,517.0	2.676.2	2,655.4	2,689.6	2,747.4	2,786.2	2,801.8
35 Supplement to wages and salaries	636.4	679.6	725.6	722.0	729.7	738.9	753.9	761.0
36 Employer contributions for social insurance	307.7	324.3	344.6	343.6	346.0	350.2	354.3	357.1
37 Other labor income	328.7	355.3	381.0	378.4	383.7	388.7	399.6	403.9
38 Proprietors' income[1]	418.7	441.6	473.7	471.3	467.0	485.7	493.6	489.9
39 Business and professional[1]	374.4	404.3	434.2	431.9	437.1	444.0	449.2	451.9
40 Farm[1]	44.4	37.3	39.5	39.3	29.8	41.7	44.4	38.0
41 Rental income of persons[2]	−5.5	24.1	27.7	34.1	32.6	29.0	25.4	24.0
42 Corporate profits[1]	405.1	485.8	542.7	546.4	556.0	560.3	569.7	n.a.
43 Profits before tax[3]	395.9	462.4	524.5	523.1	538.1	553.5	570.6	n.a.
44 Inventory valuation adjustment	−6.4	−6.2	−19.5	−14.1	−19.6	−32.1	−39.0	27.8
45 Capital consumption adjustment	15.7	29.5	37.7	37.4	37.5	38.8	38.1	36.1
46 Net interest	420.0	399.5	409.7	399.7	415.7	429.2	442.4	n.a.

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

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

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

Account	1992	1993	1994	1994			1995	
				Q2	Q3	Q4	Q1	Q2
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,154.3**	**5,375.1**	**5,701.7**	**5,659.9**	**5,734.5**	**5,856.6**	**5,962.0**	**6,004.0**
2 Wage and salary disbursements	2,974.8	3,080.8	3,279.0	3,257.2	3,293.9	3,356.4	3,403.4	3,422.1
3 Commodity-producing industries	757.6	773.8	818.2	811.6	821.8	837.3	848.5	842.1
4 Manufacturing	578.3	588.4	617.5	612.8	618.3	629.5	638.1	629.5
5 Distributive industries	682.3	701.9	748.5	742.5	753.5	769.6	776.8	783.3
6 Service industries	967.6	1,021.4	1,109.5	1,101.2	1,114.3	1,140.5	1,160.9	1,176.5
7 Government and government enterprises	567.3	583.8	602.8	601.9	604.4	609.0	617.2	620.3
8 Other labor income	328.7	355.3	381.0	378.4	383.7	388.7	399.6	403.9
9 Proprietors' income[1]	418.7	441.6	473.7	471.3	467.0	485.7	493.6	489.9
10 Business and professional[1]	374.4	404.3	434.2	431.9	437.1	444.0	449.2	451.9
11 Farm[1]	44.4	37.3	39.5	39.3	29.8	41.7	44.4	38.0
12 Rental income of persons[2]	−5.5	24.1	27.7	34.1	32.6	29.0	25.4	24.0
13 Dividends	161.0	181.3	194.3	191.7	196.9	202.7	205.5	208.1
14 Personal interest income	665.2	637.9	664.0	649.4	674.2	701.1	723.6	734.2
15 Transfer payments	860.2	915.4	963.4	957.6	969.0	979.7	1,004.8	1,017.4
16 Old-age survivors, disability, and health insurance benefits	414.0	444.4	473.5	470.7	476.5	483.1	496.7	503.6
17 LESS: Personal contributions for social insurance	248.7	261.3	281.4	279.9	282.9	286.6	293.8	295.7
18 EQUALS: Personal income	5,154.3	5,375.1	5,701.7	5,659.9	5,734.5	5,856.6	5,962.0	6,004.0
19 LESS: Personal tax and nontax payments	648.6	686.4	742.1	746.4	744.1	754.7	777.6	807.9
20 EQUALS: Disposable personal income	4,505.8	4,688.7	4,959.6	4,913.5	4,990.3	5,101.9	5,184.4	5,196.1
21 LESS: Personal outlays	4,257.8	4,496.2	4,756.5	4,712.4	4,787.0	4,869.3	4,920.7	4,981.4
22 EQUALS: Personal saving	247.9	192.6	203.1	201.1	203.3	232.6	263.7	214.7
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product	19,489.7	19,878.8	20,475.8	20,389.7	20,536.5	20,739.8	20,836.3	20,818.6
24 Personal consumption expenditures	13,110.4	13,390.8	13,715.4	13,650.9	13,716.6	13,853.5	13,880.1	13,935.9
25 Disposable personal income	14,279.0	14,341.0	14,696.0	14,625.0	14,697.0	14,927.0	15,048.0	14,967.0
26 Saving rate (percent)	5.5	4.1	4.1	4.1	4.1	4.6	5.1	4.1
GROSS SAVING								
27 **Gross saving**	**722.9**	**787.5**	**920.6**	**923.3**	**922.6**	**950.3**	**1,006.0**	n.a.
28 Gross private saving	980.8	1,002.5	1,053.5	1,041.4	1,052.7	1,082.7	1,126.4	n.a.
29 Personal saving	247.9	192.6	203.1	201.1	203.3	232.6	263.7	214.7
30 Undistributed corporate profits[1]	94.3	120.9	135.1	142.3	139.5	130.7	132.6	n.a.
31 Corporate inventory valuation adjustment	−6.4	−6.2	−19.5	−14.1	−19.6	−32.1	−39.0	−27.8
Capital consumption allowances								
32 Corporate	396.8	407.8	432.2	425.9	432.6	438.0	445.3	454.7
33 Noncorporate	261.8	261.2	283.1	272.1	277.3	281.3	284.7	288.2
34 Government surplus, or deficit (−), national income and product accounts	−257.8	−215.0	−132.9	−118.1	−130.1	−132.3	−120.4	n.a.
35 Federal	−282.7	−241.4	−159.1	−145.1	−154.0	−161.1	−148.6	n.a.
36 State and local	24.8	26.3	26.2	27.0	23.9	28.8	28.2	n.a.
37 **Gross investment**	**731.7**	**789.8**	**889.7**	**899.3**	**901.5**	**907.9**	**947.4**	n.a.
38 Gross private domestic investment	788.3	882.0	1,032.9	1,034.4	1,055.1	1,075.6	1,107.8	1,087.4
39 Net foreign investment	−56.6	−92.3	−143.2	−135.1	−153.6	−167.7	−160.4	n.a.
40 **Statistical discrepancy**	**8.8**	**2.3**	**−30.9**	**−24.0**	**−21.1**	**−42.4**	**−58.6**	n.a.

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

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1992	1993	1994	1994 Q1	1994 Q2	1994 Q3	1994 Q4	1995 Q1[p]
1 Balance on current account	-61,548	-99,925	151,245	-30,271	-37,986	39,714	-43,276	40,503
2 Merchandise trade balance[2]	-96,106	132,618	-166,099	36,490	-41,494	44,627	43,488	45,052
3 Merchandise exports	440,352	456,823	502,485	118,445	122,730	127,384	133,926	138,059
4 Merchandise imports	536,458	589,441	-668,584	154,935	-164,224	172,011	-177,414	-183,111
5 Military transactions, net	2,142	448	2,148	31	376	1,124	679	621
6 Other service transactions, net	58,767	57,328	57,739	13,505	14,195	14,696	15,342	14,408
7 Investment income, net	10,080	9,000	9,272	116	-2,285	-2,533	4,571[r]	-2,698
8 U.S. government grants	15,083	16,311	-15,814	2,378	-3,703	-3,488	-6,245	2,954
9 U.S. government pensions and other transfers	3,735	-3,785	-4,247	-1,057	1,063	1,064	1,063	782
10 Private remittances and other transfers	13,330	13,988	-15,700	3,936	4,012	3,822	-3,931	4,046
11 Change in U.S. government assets other than official reserve assets, net (increase, -)	1,661	-330	322	401	491	-283	-931	23
12 Change in U.S. official reserve assets (increase, -)	3,901	-1,379	5,346	59	3,537	-165	2,033	-5,318
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	2,316	537	-441	101	108	111	-121	-867
15 Reserve position in International Monetary Fund	2,692	-44	494	-3	251	273	27	-526
16 Foreign currencies	4,277	797	5,293	45	3,394	-327	2,181	3,925
17 Change in U.S. private assets abroad (increase, -)	68,115	-182,880	130,875	-37,125	10,001	-27,492	-56,258	-58,656
18 Bank-reported claims[3]	20,895	29,947	915	869	15,107	1,590	16,651	-34,474
19 Nonbank-reported claims	45	1,581	-32,621	1,891	-10,230	8,051	-12,449	...
20 U.S. purchases of foreign securities, net	46,415	141,807	49,799	16,457	7,128	-10,976	-15,238	5,778
21 U.S. direct investments abroad, net	-42,640	72,601	-49,370	-19,646	7,750	-10,055	-11,920	18,404
22 Change in foreign official assets in United States (increase, +)	40,466	72,146	39,409	10,977	9,162	19,691	421	21,336
23 U.S. Treasury securities	18,454	48,952	30,723	857	5,919	16,477	7,470	9,949
24 Other U.S. government obligations	3,949	4,062	6,025	215	2,360	2,222	1,228	982
25 Other U.S. government liabilities[4]	2,180	1,706	2,211	851	174	494	692	242
26 Other U.S. liabilities reported by U.S. banks[3]	16,571	14,841	2,923	9,807	1,674	1,298	9,856	10,382
27 Other foreign official assets[5]	688	2,585	-2,473	753	965	-800	45	265
28 Change in foreign private assets in United States (increase, +)	113,357	176,382	251,956	69,413	37,364	60,045	85,136	63,744
29 U.S. bank-reported liabilities[3]	15,461	20,859	114,396	31,839	28,231	19,650	34,676	8,647
30 U.S. nonbank-reported liabilities	13,573	10,489	-4,324	2,478	2,047	487	5,242	...
31 Foreign private purchases of U.S. Treasury securities, net	36,857	24,063	33,811	9,771	7,317	5,428	25,929	29,670
32 Foreign purchases of other U.S. securities, net	29,867	79,864	58,625	21,117	12,551	14,762	10,195	15,647
33 Foreign direct investments in United States, net	17,599	41,108[r]	49,448	4,208	5,946	19,718	19,578	9,780
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	26,399	35,985	14,269	13,336	2,567	-12,082	13,718	19,374
36 Due to seasonal adjustment	...	...		5,274	587	-6,641	782	6,537
37 Before seasonal adjustment	26,399	35,985	14,269	-18,610	3,154	-5,441	12,936	13,017
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, -)	3,901	1,379	5,346	59	3,537	165	2,033	5,318
39 Foreign official assets in United States, excluding line 25 (increase, +)	38,286	70,440	37,198	10,126	8,988	19,197	-1,113	21,578
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	5,942	-3,717	-1,184	1,651	4,217	3,564	1,120	379

1. Seasonal factors are not calculated for lines 12-16, 18-20, 22-34, and 38-40.

2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.

3. Reporting banks include all types of depository institution as well as some brokers and dealers.

4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1992	1993	1994	1994	1995					
				Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[p]
1 Goods and services, balance	−39,480	−74,841	106,212	7,894	−10,616	−9,611	−9,793	−11,422	−11,049	−11,312
2 Merchandise	96,106	−132,618	−166,099	−13,272	−15,946	−14,427	−14,679	−16,547	−16,129	−16,415
3 Services	56,626	57,777	59,887	5,378	5,330	4,816	4,886	5,125	5,080	5,103
4 Goods and services, exports	618,969	644,578	701,201	63,185	61,989	62,093	64,820	63,994	65,238	64,481
5 Merchandise	440,352	456,823	502,485	46,172	44,772	45,482	47,805	46,946	48,154	47,390
6 Services	178,617	187,755	198,716	17,013	17,217	16,611	17,015	17,048	17,084	17,091
7 Goods and services, imports	658,449	−719,420	−807,413	−71,079	72,605	−71,704	−74,613	75,416	−76,287	−75,793
8 Merchandise	−536,458	−589,441	−668,584	−59,444	−60,718	59,909	−62,484	−63,493	64,283	−63,805
9 Services	−121,991	−129,979	−138,829	−11,635	−11,887	−11,795	−12,129	−11,923	−12,004	−11,988
MEMO										
10 **Balance on merchandise trade, Census basis**	**−84,501**	**−115,568**	**−150,630**	**−12,010**	**−15,047**	**−13,506**	**−13,024**	**−14,954**	**−14,211**	**−14,651**

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1992	1993	1994	1994	1995						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total**	**77,719**	**71,323**	**73,442**	**74,335**	**76,027**	**81,439**	**86,761**	**88,756**	**90,549**	**90,063**	**91,534**
2 Gold stock, including Exchange Stabilization Fund[1]	11,057	11,056	11,053	11,051	11,050	11,050	11,053	11,055	11,054	11,054	11,053
3 Special drawing rights[2,3]	11,240	8,503	9,039	10,039	10,154	11,158	11,651	11,743	11,923	11,869	11,487
4 Reserve position in International Monetary Fund[2]	9,488	11,759	11,818	12,030	12,120	12,853	13,418	14,206	14,278	14,276	14,761
5 Foreign currencies[4]	45,934	40,005	41,532	41,215	42,703	46,378	50,639	51,752	53,294	52,864	54,233

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce

2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.

3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.

4. Valued at current market exchange rates.

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

Millions of dollars, end of period

Asset	1991	1992	1993	1994	1995						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Deposits**	**968**	**205**	**386**	**250**	**185**	**188**	**370**	**166**	**227**	**167**	**190**
Held in custody											
2 U.S. Treasury securities[2]	281,107	314,481	379,394	441,866	439,139	447,206	459,694	469,482	474,181	482,506	505,613
3 Earmarked gold[3]	13,303	13,118	12,327	12,033	12,033	12,033	11,964	11,897	11,800	11,725	11,728

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.

3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1992	1993	1994	1995					
			Dec.	Jan	Feb.	Mar.	Apr.	May	June[p]
1 **Total**[1]	**412,624**	**483,002**	**520,278**	**517,028**	**527,311**	**542,742**[r]	**552,394**[r]	**560,149**[r]	**579,986**
By type									
2 Liabilities reported by banks in the United States[2]	54,967	69,808	72,731	74,109	80,326	83,671[r]	85,348[r]	84,733[r]	91,473
3 U.S. Treasury bills and certificates[3]	104,596	151,100	139,570	133,014	134,341	141,716	146,417	154,575	154,517
U.S. Treasury bonds and notes									
4 Marketable	210,931	212,237	254,059	255,888	257,998	262,020	265,164	263,354	274,276
5 Nonmarketable[4]	4,532	5,652	6,109	6,137	6,095	6,135	6,174	6,209[r]	6,245
6 U.S. securities other than U.S. Treasury securities[5]	37,598	44,205	47,809	47,880	48,551	49,200	49,291	51,278	53,475
By area									
7 Europe[1]	189,230	207,121	215,024	212,376	213,876	218,355	216,537	217,593[r]	223,719
8 Canada	13,700	15,285	17,235	18,041	18,655	19,268	19,248	19,631	19,549
9 Latin America and Caribbean	37,973	55,898	41,192	36,982	42,201	39,847[r]	42,476[r]	44,728[r]	50,292
10 Asia	164,690	197,702	236,819	240,019	244,650	256,849	266,093	270,523	278,771
11 Africa	3,723	4,052	4,179	4,335	4,066	4,583	4,200	4,281	4,427
12 Other countries[6]	3,306	2,942	5,827	5,273	3,861	3,838	3,838	3,391	3,226

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies; zero coupon bonds are included at current value.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1991	1992	1993	1994			1995
				June	Sept	Dec	Mar
1 Banks' liabilities	75,129	72,796	78,120	73,016	83,343	89,475	96,190
2 Banks' claims	73,195	62,799	60,663	56,852	63,446	59,711	72,468
3 Deposits	26,192	24,240	20,289	21,562	20,493	19,445	24,256
4 Other claims	47,003	38,559	40,374	35,290	42,953	40,266	48,212
5 Claims of banks' domestic customers[2]	3,398	4,432	7,320	6,734	7,367	12,229	11,487

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1992	1993	1994	1994	1995					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**810,259**	**925,418**	**1,017,034**	**1,017,034**	**1,012,916**	**1,020,092**	**1,029,959r**	**1,036,255r**	**1,042,736**	**1,054,720**
2 Banks' own liabilities	606,444	625,665	721,751	721,751	724,503	725,495	723,876r	719,727r	724,150	733,081
3 Demand deposits	21,828	21,573	23,373	23,373	23,424	24,058	22,656	22,916	23,526	22,107
4 Time deposits[2]	160,385	175,078	186,363	186,363	187,988	185,726	184,218r	180,666r	185,330	194,068
5 Other[3]	93,237	110,635	115,269	115,269	124,844	125,641	120,129	123,072	126,869	120,716
6 Own foreign offices[4]	330,994	318,379	396,746	396,746	388,247	390,070	396,873	393,073	388,425	396,190
7 Banks' custodial liabilities[5]	203,815	299,753	295,283	295,283	288,413	294,597	306,083	316,528r	318,586	321,639
8 U.S. Treasury bills and certificates[6]	127,644	176,739	162,825	162,825	156,670	160,353	170,138	175,540	182,046	181,857
9 Other negotiable and readily transferable instruments[7]	21,974	36,289	42,177	42,177	40,502	43,378	44,921	48,278r	40,331	44,956
10 Other	54,197	86,725	90,281	90,281	91,241	90,866	91,024	92,710	96,209	94,826
11 Nonmonetary international and regional organizations[8]	9,350	10,936	8,506	8,506	9,821	8,291	9,263	8,690	8,510	8,987
12 Banks' own liabilities	6,951	5,639	8,076	8,076	9,355	7,642	8,639	7,527	7,543	8,183
13 Demand deposits	46	15	29	29	24	35	31	214	34	89
14 Time deposits[2]	3,214	2,780	3,198	3,198	3,715	3,484	3,899	3,954	3,491	4,329
15 Other[3]	3,691	2,844	4,849	4,849	5,616	4,123	4,709	3,359	4,018	3,765
16 Banks' custodial liabilities[5]	2,399	5,297	430	430	466	649	624	1,163	967	804
17 U.S. Treasury bills and certificates[6]	1,908	4,275	281	281	280	407	314	763	510	312
18 Other negotiable and readily transferable instruments[7]	486	1,022	149	149	181	242	307	400	456	492
19 Other	5	0	0	0	5	0	3	0	1	0
20 Official institutions[9]	159,563	220,908	212,301	212,301	207,123	214,667	225,387r	231,765r	239,308	245,990
21 Banks' own liabilities	51,202	64,231	59,280	59,280	62,097	67,314	69,170r	67,783r	68,848	73,019
22 Demand deposits	1,302	1,601	1,564	1,564	1,598	1,587	1,705	1,485	1,575	1,401
23 Time deposits[2]	17,939	21,654	23,211	23,211	22,673	25,384	23,899r	25,792r	27,486	27,412
24 Other[3]	31,961	40,976	34,505	34,505	37,826	40,343	43,566	40,506	39,787	44,206
25 Banks' custodial liabilities[5]	108,361	156,677	153,021	153,021	145,026	147,353	156,217	163,982	170,460	172,971
26 U.S. Treasury bills and certificates[6]	104,596	151,100	139,570	139,570	133,014	134,341	141,716	146,417	154,575	154,517
27 Other negotiable and readily transferable instruments[7]	3,726	5,482	13,245	13,245	11,972	12,943	14,351	17,473	15,771	18,325
28 Other	39	95	206	206	40	69	150	92	114	129
29 Banks[10]	547,320	592,208	681,727	681,727	678,182	678,595	685,280r	681,065r	679,753	685,753
30 Banks' own liabilities	476,117	478,792	567,776	567,776	564,116	561,898	565,231r	558,650r	560,248	566,165
31 Unaffiliated foreign banks	145,123	160,413	171,030	171,030	175,869	171,828	168,358r	165,577r	171,823	169,975
32 Demand deposits	10,170	9,719	10,628	10,628	10,243	10,954	10,788	10,667	11,365	10,451
33 Time deposits[2]	90,296	105,192	111,460	111,460	112,178	107,429	107,657r	99,079r	102,280	110,350
34 Other[3]	44,657	45,502	48,942	48,942	53,448	53,445	49,913	55,831	58,178	49,174
35 Own foreign offices[4]	330,994	318,379	396,746	396,746	388,247	390,070	396,873	393,073	388,425	396,190
36 Banks' custodial liabilities[5]	71,203	113,416	113,951	113,951	114,066	116,697	120,049	122,415r	119,505	119,588
37 U.S. Treasury bills and certificates[6]	11,087	10,712	11,218	11,218	10,992	12,328	15,723	15,717	14,437	15,022
38 Other negotiable and readily transferable instruments[7]	7,555	17,020	14,234	14,234	14,137	15,232	15,254	15,815r	10,955	11,409
39 Other	52,561	85,684	88,499	88,499	88,937	89,137	89,072	90,883	94,113	93,157
40 Other foreigners	94,026	101,366	114,500	114,500	117,790	118,539	110,029r	114,735r	115,165	113,990
41 Banks' own liabilities	72,174	77,003	86,619	86,619	88,935	88,641	80,836r	85,767r	87,511	85,714
42 Demand deposits	10,310	10,238	11,152	11,152	11,559	11,482	10,132	10,550	10,552	10,166
43 Time deposits[2]	48,936	45,452	48,494	48,494	49,422	49,429	48,763r	51,841r	52,073	51,977
44 Other[3]	12,928	21,313	26,973	26,973	27,954	27,730	21,941	23,376	24,886	23,571
45 Banks' custodial liabilities[5]	21,852	24,363	27,881	27,881	28,855	29,898	29,193	28,968	27,654	28,276
46 U.S. Treasury bills and certificates[6]	10,053	10,652	11,756	11,756	12,384	13,277	12,385	12,643	12,524	12,006
47 Other negotiable and readily transferable instruments[7]	10,207	12,765	14,549	14,549	14,212	14,961	15,009	14,590	13,149	14,730
48 Other	1,592	946	1,576	1,576	2,259	1,660	1,799	1,735	1,981	1,540
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	9,111	17,567	17,895	17,895	16,442	17,137	16,759	17,651	11,938	11,539

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1992	1993	1994	1994	1995					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
AREA										
50 **Total, all foreigners**	**810,259**	**925,418**	**1,017,034**	**1,017,034**	**1,012,916**	**1,020,092**	**1,029,959[r]**	**1,036,255[r]**	**1,042,736[r]**	**1,054,720**
51 **Foreign countries**	**800,909**	**914,482**	**1,008,528**	**1,008,528**	**1,003,095**	**1,011,801**	**1,020,696[r]**	**1,027,565[r]**	**1,034,226[r]**	**1,045,733**
52 Europe	307,670	377,193	393,021	393,021	393,767	386,599	380,685	367,143	375,743	372,178
53 Austria	1,611	1,917	3,649	3,649	3,236	4,021	4,012	4,030	3,963	3,858
54 Belgium and Luxembourg	20,567	28,621	21,758	21,758	21,679	22,094	23,886	22,813	25,673	21,044
55 Denmark	3,060	4,517	2,784	2,784	2,662	1,971	2,396	2,567	2,811	2,432
56 Finland	1,299	1,872	1,436	1,436	2,403	1,754	1,223	2,029	1,709	1,456
57 France	41,411	39,746	44,971	44,971	42,464	44,314	41,300	38,410	40,907	45,595
58 Germany	18,630	26,613	27,175	27,175	28,521	27,497	28,276	28,453	31,939	33,348
59 Greece	913	1,519	1,393	1,393	1,234	2,065	2,264	2,195	2,199	2,365
60 Italy	10,041	11,759	10,882	10,882	10,269	12,021	8,686	9,417	9,815	10,373
61 Netherlands	7,365	16,096	16,723	16,723	15,629	15,891	15,784	12,545	14,623	11,446
62 Norway	3,314	2,966	2,338	2,338	2,309	2,147	2,066	1,374	1,289	1,305
63 Portugal	2,465	3,366	2,846	2,846	2,863	4,007	2,810	2,940	2,860	2,652
64 Russia	577	2,511	2,714	2,714	2,047	2,642	3,469	5,011	7,042	7,177
65 Spain	9,793	20,493	14,655	14,655	15,149	11,106	11,675	9,859	9,827	10,543
66 Sweden	2,953	2,572	3,093	3,093	2,258	2,247	2,474	1,801	1,445	3,344
67 Switzerland	39,440	41,561	41,881	41,881	39,518	40,100	39,355	41,258	39,986[r]	47,383
68 Turkey	2,666	3,227	3,341	3,341	3,621	2,701	2,513	3,624	3,188	3,256
69 United Kingdom	111,805	133,936	163,577	163,577	173,906	162,638	159,908	152,462[r]	149,451[r]	139,125
70 Yugoslavia[11]	504	570	245	245	261	258	211	222	229	220
71 Other Europe and other former U.S.S.R.[12]	29,256	33,331	27,760	27,760	23,938	27,325	28,477	26,133[r]	26,787[r]	25,256
72 Canada	22,420	20,229	24,612	24,612	26,503	26,568	27,034	28,563	27,731[r]	29,237
73 Latin America and Caribbean	317,228	361,660	422,720	422,720	410,039	421,335	421,976	431,013[r]	430,622[r]	444,059
74 Argentina	9,477	14,477	17,199	17,199	12,790	11,886	9,978	10,154	10,368	10,873
75 Bahamas	82,284	73,800	103,684	103,684	95,227	98,833	100,370	97,301[r]	92,523[r]	96,913
76 Bermuda	7,079	7,841	8,467	8,467	8,906	8,554	8,798	8,815[r]	8,539[r]	7,156
77 Brazil	5,584	5,301	9,140	9,140	9,004	10,628	10,860	13,114	15,613	18,250
78 British West Indies	153,033	193,574	229,560	229,560	229,934	233,318	235,839	243,707[r]	242,488[r]	252,155
79 Chile	3,035	3,183	3,114	3,114	2,966	3,327	3,587	3,446	2,958	3,488
80 Colombia	4,580	3,171	4,579	4,579	4,309	4,037	3,644	3,598	3,432	3,276
81 Cuba	3	33	13	13	12	5	5	6	5	5
82 Ecuador	993	880	873	873	1,340	1,511	1,117	1,054	1,050	1,179
83 Guatemala	1,377	1,207	1,121	1,121	1,057	1,079	1,062	1,094	1,071	1,130
84 Jamaica	371	410	529	529	447	464	491	422	542	449
85 Mexico	19,454	28,018	12,243	12,243	12,608	16,770	15,750	17,246	18,263	19,248
86 Netherlands Antilles	5,205	4,686	4,530	4,530	3,834	4,495	4,013	4,076	6,013[r]	3,990
87 Panama	4,177	3,582	4,542	4,542	4,836	4,281	4,361	4,810	5,002	4,308
88 Peru	1,080	926	899	899	901	892	893	931	1,014	997
89 Uruguay	1,955	1,611	1,594	1,594	1,798	1,610	1,754	1,930	2,105	2,030
90 Venezuela	11,387	12,786	13,975	13,975	13,461	12,970	12,632	12,130	12,416[r]	11,248
91 Other	6,154	6,174	6,658	6,658	6,609	6,675	6,822	7,179	7,220[r]	7,364
92 Asia	143,540	144,575	155,629	155,629	159,796	166,066	178,400[r]	187,621[r]	187,059[r]	188,513
China										
93 People's Republic of China	3,202	4,011	10,066	10,066	12,911	15,661	12,017	12,138	9,459	10,579
94 Republic of China (Taiwan)	8,408	10,627	9,825	9,825	9,168	9,941	10,021	9,630	9,187	9,745
95 Hong Kong	18,499	17,178	17,165	17,165	18,446	18,150	19,888[r]	20,069[r]	22,987[r]	22,976
96 India	1,399	1,114	2,338	2,338	2,296	2,119	2,354	2,194	1,942	2,105
97 Indonesia	1,480	1,986	1,587	1,587	1,612	1,957	2,107	1,696	2,632	2,119
98 Israel	3,773	4,435	5,155	5,155	5,471	4,953	5,003	5,411	5,331	4,573
99 Japan	58,435	61,466	64,256	64,256	61,878	63,200	77,846	84,761	83,180	83,348
100 Korea (South)	3,337	4,913	5,124	5,124	4,781	4,175	4,357	4,747	5,034	4,996
101 Philippines	2,275	2,035	2,714	2,714	2,616	2,363	2,297	2,257	2,730[r]	2,539
102 Thailand	5,582	6,137	6,466	6,466	8,226	9,906	9,564	10,416	11,595	11,485
103 Middle Eastern oil-exporting countries[13]	21,437	15,824	15,475	15,475	16,189	14,935	15,516	15,730	15,639	16,871
104 Other	15,713	14,849	15,458	15,458	16,202	18,706	17,430	18,572	17,343[r]	17,177
105 Africa	5,884	6,633	6,511	6,511	6,363	6,203	6,817	7,218	8,030[r]	8,012
106 Egypt	2,472	2,208	1,867	1,867	1,749	1,830	1,781	2,102	2,045	2,143
107 Morocco	76	99	97	97	92	73	70	66	73	90
108 South Africa	190	451	433	433	285	400	706	401	542	596
109 Zaire	19	12	9	9	10	10	9	12	10	18
110 Oil-exporting countries[14]	1,346	1,303	1,343	1,343	1,409	1,122	1,599	1,328	1,303	1,418
111 Other	1,781	2,560	2,762	2,762	2,818	2,768	2,652	3,309	4,057[r]	3,747
112 Other	4,167	4,192	6,035	6,035	6,627	5,030	5,784	6,007	5,041	3,734
113 Australia	3,043	3,308	5,141	5,141	5,395	4,351	5,024	4,912	4,256	2,944
114 Other	1,124	884	894	894	1,232	679	760	1,095	785	790
115 Nonmonetary international and regional organizations	9,350	10,936	8,506	8,506	9,821	8,291	9,263	8,690	8,510[r]	8,987
116 International[15]	7,434	6,851	7,437	7,437	8,455	7,138	8,092	7,153	6,531[r]	7,335
117 Latin American regional[16]	1,415	3,218	613	613	865	582	576	666	1,067	804
118 Other regional[17]	501	867	456	456	501	571	595	871	912	848

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1992	1993	1994	1994	1995					
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]
1 **Total, all foreigners**	**499,437**	**484,689**	**480,962**	**480,962**	**482,534**	**475,227**	**489,877[r]**	**479,109**	**481,410**	**515,625**
2 **Foreign countries**	**494,355**	**482,284**	**476,371**	**476,371**	**478,952**	**474,343**	**486,143[r]**	**476,172**	**479,788**	**513,080**
3 Europe	123,377	121,934	123,669	123,669	125,768	122,435	126,622[r]	121,791	121,986	127,605
4 Austria	331	413	692	692	350	425	589	461	756	581
5 Belgium and Luxembourg	6,404	6,529	6,649	6,649	5,553	4,816	7,372[r]	8,425	8,051	5,137
6 Denmark	707	382	1,029	1,029	478	636	723	549	508	598
7 Finland	1,418	594	691	691	716	452	564	700	431	394
8 France	14,723	11,537	12,244	12,244	12,702	11,948	13,279[r]	12,878	13,832	15,100
9 Germany	4,222	7,693	6,652	6,652	8,460	7,640	7,009	7,090	6,574	7,896
10 Greece	717	679	592	592	668	751	601[r]	550	407	442
11 Italy	9,047	8,835	6,041	6,041	6,609	6,538	6,399	6,209	6,219	6,764
12 Netherlands	2,468	3,063	3,709	3,709	3,741	4,200	3,163[r]	3,527	5,978	4,337
13 Norway	355	396	504	504	1,069	988	1,442	1,295	1,382	1,019
14 Portugal	325	834	938	938	988	1,045	907	915	990	1,208
15 Russia	3,147	2,310	949	949	1,148	759	770	657	511	508
16 Spain	2,755	2,761	3,529	3,529	2,941	2,800	3,066	2,076	2,138	3,564
17 Sweden	4,923	4,082	4,096	4,096	3,826	4,038	3,372	3,522	3,319	2,934
18 Switzerland	4,717	6,565	7,490	7,490	9,020	8,056	7,839[r]	7,383	7,615	10,275
19 Turkey	962	1,300	874	874	560	882	690	810	722	757
20 United Kingdom	63,430	61,641	65,560	65,560	64,933	64,650	67,559[r]	63,344	61,258	64,814
21 Yugoslavia[2]	569	536	265	265	265	265	247	247	248	229
22 Other Europe and other former U.S.S.R.[3]	2,157	1,784	1,165	1,165	1,741	1,546	1,031[r]	1,153	1,047	1,048
23 Canada	13,845	18,534	18,030	18,030	18,859	18,933	20,235[r]	17,440	20,520	19,678
24 Latin America and Caribbean	218,078	223,345	221,388	221,388	221,874	220,111	224,106[r]	224,136	222,562	241,004
25 Argentina	4,958	4,416	5,788	5,788	5,837	6,312	6,253	6,142	6,316	6,550
26 Bahamas	60,835	63,256	66,042	66,042	64,728	63,877	65,105	64,352	62,211	62,924
27 Bermuda	5,935	8,059	7,526	7,526	14,594	10,944	8,522	11,423	10,202	7,738
28 Brazil	10,773	11,813	9,485	9,485	9,744	10,016	10,751	10,760	11,039	11,360
29 British West Indies	101,507	98,661	95,744	95,744	90,577	91,924	96,381[r]	94,029	95,155	113,633
30 Chile	3,397	3,619	3,794	3,794	3,866	4,207	4,348	4,247	3,867	4,319
31 Colombia	2,750	3,179	4,003	4,003	3,816	3,818	3,983	3,928	4,034	4,030
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	884	680	680	680	707	659	567	565	663	767
34 Guatemala	262	288	366	366	346	349	379	359	353	344
35 Jamaica	162	195	254	254	253	278	275	262	258	263
36 Mexico	14,991	15,864	17,672	17,672	17,338	17,216	17,187[r]	17,182	17,375	17,277
37 Netherlands Antilles	1,379	2,682	1,055	1,055	1,205	1,437	1,187	1,333	1,778	2,065
38 Panama	4,654	2,893	2,179	2,179	2,155	2,340	2,470[r]	2,507	2,433	2,683
39 Peru	730	656	996	996	1,057	1,117	1,096	1,116	1,095	1,363
40 Uruguay	936	954	486	486	420	390	344	345	377	355
41 Venezuela	2,525	2,907	1,828	1,828	1,705	1,725	1,649	1,679	1,662	1,638
42 Other	1,400	3,223	3,490	3,490	3,526	3,502	3,609	3,907	3,744	3,695
43 Asia	131,789	111,720	107,114	107,114	105,673	106,788	109,438[r]	106,678	108,642	118,462
China										
44 People's Republic of China	906	2,271	845	845	933	869	841	980	879	1,144
45 Republic of China (Taiwan)	2,046	2,623	1,381	1,381	1,245	1,213	1,549[r]	1,534	1,519	1,794
46 Hong Kong	9,642	10,872	9,237	9,237	10,271	11,285	14,404[r]	11,603	12,068	14,830
47 India	529	589	990	990	1,103	1,059	1,039	1,139	1,126	1,157
48 Indonesia	1,189	1,527	1,462	1,462	1,486	1,424	1,513[r]	1,463	1,427	1,538
49 Israel	820	826	692	692	672	683	811	683	783	949
50 Japan	79,172	59,945	59,230	59,230	55,268	57,191	55,534[r]	55,176	58,403	60,990
51 Korea (South)	6,179	7,536	10,276	10,276	10,848	10,754	12,284	11,913	12,203	12,564
52 Philippines	2,145	1,409	636	636	564	548	550[r]	496	532	915
53 Thailand	1,867	2,170	2,902	2,902	2,880	2,635	2,778	2,740	2,752	2,685
54 Middle Eastern oil-exporting countries[4]	18,540	15,109	13,732	13,732	14,044	13,341	13,069	13,292	11,643	12,570
55 Other	8,754	6,843	5,731	5,731	6,359	5,786	5,066	5,659	5,307	7,326
56 Africa	4,279	3,857	3,008	3,008	2,942	2,902	2,875[r]	2,741	2,751	2,918
57 Egypt	186	196	225	225	227	234	205	181	237	204
58 Morocco	441	481	429	429	415	442	424	440	454	686
59 South Africa	1,041	633	665	665	657	596	644	584	579	563
60 Zaire	4	4	2	2	2	2	2	2	2	2
61 Oil-exporting countries[5]	1,002	1,129	842	842	825	772	731	700	658	657
62 Other	1,605	1,414	845	845	816	856	869[r]	834	821	806
63 Other	2,987	2,894	3,162	3,162	3,836	3,174	2,867[r]	3,386	3,327	3,413
64 Australia	2,243	2,071	2,219	2,219	2,198	1,912	1,759[r]	1,805	1,914	2,045
65 Other	744	823	943	943	1,638	1,262	1,108	1,581	1,413	1,368
66 Nonmonetary international and regional organizations[6]	5,082	2,405	4,591	4,591	3,582	884	3,734	2,937	1,622	2,545

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1992	1993	1994	1994	1995					
				Dec.	Jan	Feb.	Mar.[r]	Apr.[r]	May	June[p]
1 **Total**	**559,495**	**538,471**	**556,191**	**556,191**	...	...	**571,711**	...	...	...
2 Banks' claims	499,437	484,689	480,962	480,962	482,534	475,227	489,877	479,109	481,410	515,625
3 Foreign public borrowers	31,367	29,095	23,470	23,470	24,100	18,181	23,712	22,173	19,077	23,124
4 Own foreign offices[2]	303,991	284,310	283,135	283,135	278,928	279,276	292,153	282,659	286,056	300,461
5 Unaffiliated foreign banks	109,342	100,030	110,862	110,862	104,330	105,383	104,729	104,244	103,280	110,555
6 Deposits	61,550	48,841	59,065	59,065	54,445	54,145	53,178	54,648	51,095	58,286
7 Other	47,792	51,189	51,797	51,797	49,885	51,238	51,551	49,596	52,185	52,269
8 All other foreigners	54,737	71,254	63,495	63,495	75,176	72,387	69,283	70,033	72,997	81,485
9 Claims of banks' domestic customers[3]	60,058	53,782	75,229	75,229	...		81,834	...	...	...
10 Deposits	15,452	21,111	36,190	36,190	...		36,528	...	...	...
11 Negotiable and readily transferable instruments[4]	31,474	18,991	25,731	25,731	...	...	30,823		...	
12 Outstanding collections and other claims	13,132	13,680	13,308	13,308	...		14,483		...	
MEMO										
13 Customer liability on acceptances	8,655	7,829	8,313	8,313		...	8,393	...	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	38,623	26,364	27,185	27,185	27,459	28,726	34,303	26,264	29,007	n.a.

1. For banks' claims, data are monthly, for claims of banks' domestic customers, data are for quarter ending with month indicated.

Reporting banks include all types of depository institution, as well as some brokers and dealers.

2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

3. Assets held by reporting banks in the accounts of their domestic customers.

4. Principally negotiable time certificates of deposit and bankers acceptances.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see *Federal Reserve Bulletin*, vol. 65 (July 1979), p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1991	1992	1993	1994			1995
				June	Sept	Dec	Mar.[r]
1 **Total**	**195,302**	**195,119**	**199,844**	**190,777**	**193,973**	**197,587**	**197,410**
By borrower							
2 Maturity of one year or less	162,573	163,325	170,134	164,960	167,271	171,949	169,082
3 Foreign public borrowers	21,050	17,813	17,765	13,244	17,370	15,530	15,739
4 All other foreigners	141,523	145,512	152,369	151,716	149,901	156,419	153,343
5 Maturity of more than one year	32,729	31,794	29,710	25,817	26,702	25,638	28,328
6 Foreign public borrowers	15,859	13,266	10,809	8,053	7,385	7,697	7,694
7 All other foreigners	16,870	18,528	18,901	17,764	19,317	17,941	20,634
By area							
Maturity of one year or less							
8 Europe	51,835	53,300	56,574	51,153	58,784	56,500	53,824
9 Canada	6,444	6,091	7,664	8,278	7,212	7,266	7,352
10 Latin America and Caribbean	43,597	50,376	58,948	59,723	57,782	60,031	62,958
11 Asia	51,059	45,709	41,335	39,036	36,661	40,422	38,190
12 Africa	2,549	1,784	1,820	1,798	1,520	1,365	1,223
13 All other[3]	7,089	6,065	3,793	4,972	5,312	6,365	5,535
Maturity of more than one year							
14 Europe	3,878	5,367	5,205	3,744	4,034	3,861	4,494
15 Canada	3,595	3,287	2,558	2,474	2,654	2,459	3,611
16 Latin America and Caribbean	18,277	15,312	13,976	12,551	12,665	12,220	12,989
17 Asia	4,459	5,038	5,587	4,763	5,047	4,732	5,165
18 Africa	2,335	2,380	1,936	1,850	1,840	1,553	1,592
19 All other[3]	185	410	448	435	462	813	477

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.

2. Maturity is time remaining to maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1991	1992	1993 Mar.	1993 June	1993 Sept.	1993 Dec.	1994 Mar.	1994 June	1994 Sept.	1994 Dec.	1995 Mar.
1 **Total**	**343.6**	**346.5**	**361.1**	**377.1**	**388.4**	**404.5**	**474.1[r]**	**483.5[r]**	**484.5[r]**	**491.6[r]**	**538.6[r]**
2 G-10 countries and Switzerland	137.6	132.9	142.5	150.0	153.3	161.8	179.8[r]	174.7[r]	183.2[r]	187.7[r]	204.4[r]
3 Belgium and Luxembourg	.0	5.6	6.1	7.0	7.1	7.4	8.0	8.6[r]	9.6[r]	6.9	8.1
4 France	11.0	15.3	13.5	14.0	12.3	11.7	16.4	18.9	20.7	19.2	19.8
5 Germany	8.3	9.3	9.9	10.8	12.4	12.6	30.0[r]	25.3[r]	24.5[r]	24.0[r]	30.3
6 Italy	5.6	6.5	6.7	7.9	8.7	7.6	15.5	14.0	11.6	11.7[r]	10.6[r]
7 Netherlands	.0	2.8	3.6	3.7	3.7	4.7	4.1	3.6	3.4[r]	3.6	3.5
8 Sweden	1.9	2.3	3.0	2.5	2.5	2.5	2.8	2.9	2.6	2.7	3.1
9 Switzerland	3.4	4.8	5.3	4.7	5.6	5.9	6.3	6.5	6.2	6.9	6.2
10 United Kingdom	68.5	60.8	65.7	73.5	74.7	84.7	69.9[r]	64.7[r]	78.3[r]	82.4[r]	87.8[r]
11 Canada	5.8	6.3	8.2	8.0	9.7	6.8	7.7	9.6	9.8	9.6	10.5
12 Japan	22.6	19.3	20.4	17.9	16.8	17.8	19.1[r]	20.5	16.4	20.8[r]	24.4[r]
13 Other industrialized countries	22.8	24.0	25.4	27.2	26.0	24.6	41.2[r]	41.6[r]	41.4[r]	45.2	43.6[r]
14 Austria	.6	1.2	1.2	1.3	.6	.4	1.0	1.0	1.0	1.1	.9
15 Denmark	.9	.9	.8	1.0	1.1	1.0	1.1	1.1	.8	1.2	1.6
16 Finland	.7	.7	.7	.9	.6	.4	1.0	.8	.8	1.0	1.1
17 Greece	2.6	3.0	2.7	3.1	3.2	3.2	3.8	4.6	4.2[r]	4.5	4.8[r]
18 Norway	1.4	1.2	1.8	1.8	2.1	1.7	1.6	1.6	1.6	2.0	2.4
19 Portugal	.6	.4	.7	.9	1.0	.8	1.2	1.1	1.0	1.2	1.0
20 Spain	8.3	8.9	9.5	10.5	9.3	8.9	12.3	11.7	13.0[r]	13.6	13.9[r]
21 Turkey	1.4	1.3	1.4	2.1	2.1	2.1	2.4	2.1	1.8	1.6	1.4
22 Other Western Europe	1.8	1.7	2.0	1.7	2.2	2.6	3.1	2.8	1.0	2.7	2.5
23 South Africa	1.9	1.7	1.6	1.3	1.2	1.1	1.2	1.2	1.2	1.0	1.4
24 Australia	2.7	2.9	2.9	2.5	2.8	2.3	12.7	13.7	15.0	15.3[r]	12.6
25 OPEC[2]	14.5	16.1	16.6	15.7	14.8	17.4	22.6[r]	21.3[r]	21.4[r]	21.9[r]	19.1[r]
26 Ecuador	.7	.6	.6	.6	.5	.5	.5	.5	.4	.5	.5
27 Venezuela	5.4	5.2	5.1	5.5	5.4	5.1	4.5[r]	4.3[r]	3.7[r]	3.6[r]	3.4[r]
28 Indonesia	2.7	3.0	3.1	3.1	2.8	3.3	3.3[r]	3.1[r]	3.2[r]	3.6	3.8
29 Middle East countries	4.2	6.2	6.6	5.4	4.9	7.4	13.2	12.4	13.1	13.4	10.7
30 African countries	1.5	1.1	1.1	1.1	1.1	1.2	1.0[r]	1.0[r]	1.0	.8[r]	.7
31 Non-OPEC developing countries	63.9	72.1	74.4	76.7	77.0	82.6	93.1[r]	93.6[r]	93.5[r]	97.7[r]	99.8[r]
Latin America											
32 Argentina	4.8	6.6	7.1	6.6	7.2	7.7	8.6[r]	9.6[r]	10.3[r]	10.8[r]	11.1[r]
33 Brazil	9.6	10.8	11.6	12.3	11.7	12.0	12.2[r]	11.5[r]	8.9[r]	8.0[r]	8.8[r]
34 Chile	3.6	4.4	4.6	4.6	4.7	4.7	5.1	5.1	5.4	6.1	6.3
35 Colombia	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.4	2.4	2.6	2.6
36 Mexico	15.5	16.0	16.8	16.8	17.5	17.8	18.4[r]	18.0[r]	19.2[r]	18.1[r]	17.5[r]
37 Peru	.4	.5	.4	.4	.3	.4	.6	.6	.6	.5	.6
38 Other	2.1	2.6	2.7	2.7	2.7	3.0	2.8	2.8[r]	2.8[r]	2.7[r]	2.5[r]
Asia											
China											
39 People's Republic of China	.3	.7	.6	1.6	.5	2.0	.8	.8	1.0	1.1	1.1
40 Republic of China (Taiwan)	4.1	5.2	5.3	5.9	6.4	7.3	7.5	7.1	6.9	9.1	10.6[r]
41 India	3.0	3.2	3.1	3.1	2.9	3.2	3.6	3.7	3.8[r]	4.2	3.8
42 Israel	.5	.4	.5	.4	.4	.5	.4	.4	.4	.4	.6
43 Korea (South)	6.8	6.6	6.5	6.9	6.5	6.7	14.1	14.3	14.1	16.2	16.9
44 Malaysia	2.3	3.1	3.4	3.7	4.1	4.4	5.2	5.2	5.7	4.4	3.9[r]
45 Philippines	3.7	3.6	3.4	2.9	2.6	3.1	3.4	3.2	2.9	3.3	3.0
46 Thailand	1.7	2.2	2.2	2.4	2.8	3.1	2.9[r]	3.3	3.5	3.8	3.3
47 Other Asia	2.0	2.7	2.7	2.6	3.0	2.9	3.1	3.5	3.6	4.8	5.2
Africa											
48 Egypt	.4	.2	.2	.2	.2	.4	.4	.5	.3	.3	.4
49 Morocco	.7	.6	.5	.6	.6	.7	.7	.7	.7	.6	.6
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	.7	1.0	.8	.9	.8	.8	1.0	.9	.9	.8	.7
52 Eastern Europe	2.4	3.1	2.9	3.2	3.0	3.1	3.4	3.0	3.0	2.7	2.4
53 Russia[4]	.9	1.9	1.7	1.9	1.7	1.6	1.5	1.2	1.0[r]	.8	.6
54 Yugoslavia[5]	.9	.6	.6	.6	.6	.6	.5	.5	.5	.5	.4
55 Other	.7	.6	.7	.8	.7	.9	1.4	1.4	1.5	1.4	1.3
56 Offshore banking centers	54.2	58.3	60.3	58.0	67.9	71.4	78.1	79.6[r]	76.0	69.6[r]	84.1[r]
57 Bahamas	11.9	6.9	9.7	7.1	12.7	10.8	13.7	13.4	13.6	9.8	12.2
58 Bermuda	2.3	6.2	4.1	4.5	5.5	8.1	8.5	6.1	5.4	7.4	8.4
59 Cayman Islands and other British West Indies	15.8	21.8	17.6	15.6	15.1	17.4	17.6	23.3	21.2	19.9	19.3[r]
60 Netherlands Antilles	1.2	1.1	1.6	2.5	2.8	2.6	3.5	2.5	1.7	1.0	.9
61 Panama[6]	1.4	1.9	2.0	2.1	2.1	2.4	2.0	1.9	1.8[r]	1.3	1.1
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	14.4	13.8	16.7	16.9	19.1	18.7	19.7	21.7	20.3	19.9	22.8
64 Singapore	7.1	6.5	8.4	9.3	10.4	11.2	13.0	10.6	11.8	10.2	19.2
65 Other[7]	.0	.0	.0	.0	.0	.1	.0	.0	.0	.1	.0
66 *Miscellaneous and unallocated*[8]	48.0	39.7	38.8	46.2	46.3	43.4	55.7[r]	69.4[r]	65.7[r]	66.7[r]	84.9[r]

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. *Beginning March 1994, the* data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. As of December 1992, excludes Croatia, Bosnia and Herzegovina, and Slovenia.
6. Includes Canal Zone.
7. Foreign branch claims only.
8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type of liability, and area or country	1991	1992	1993	1993	1994				1995
				Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**44,708**	**45,511**	**50,369**	**50,369**	**52,059**	**55,383**	**57,204**	**54,644**	**51,468**
2 Payable in dollars	39,029	37,456	38,750	38,750	38,552	42,957	42,734	39,700	37,580
3 Payable in foreign currencies	5,679	8,055	11,619	11,619	13,507	12,426	14,470	14,944	13,888
By type									
4 Financial liabilities	22,518	23,841	28,959	28,959	30,413	33,245	35,850	32,848	29,852
5 Payable in dollars	18,104	16,960	18,545	18,545	18,930	22,819	23,262	19,792	17,745
6 Payable in foreign currencies	4,414	6,881	10,414	10,414	11,483	10,426	12,588	13,056	12,107
7 Commercial liabilities	22,190	21,670	21,410	21,410	21,646	22,138	21,354	21,796	21,616
8 *Trade payables*	9,252	9,566	8,811	8,811	8,976	9,913	9,552	10,013	10,162
9 Advance receipts and other liabilities	12,938	12,104	12,599	12,599	12,670	12,225	11,802	11,783	11,454
10 Payable in dollars	20,925	20,496	20,205	20,205	19,622	20,138	19,472	19,908	19,835
11 Payable in foreign currencies	1,265	1,174	1,205	1,205	2,024	2,000	1,882	1,888	1,781
By area or country									
Financial liabilities									
12 Europe	12,003	13,387	18,810	18,810	20,510	23,689	23,792	20,870	16,804
13 Belgium and Luxembourg	216	414	175	175	525	524	661	495	612
14 France	2,106	1,623	2,539	2,539	2,606	1,590	2,241	1,727	2,046
15 Germany	682	889	975	975	1,214	939	1,467	1,961	1,755
16 Netherlands	1,056	606	534	534	564	533	648	552	633
17 Switzerland	408	569	634	634	1,200	631	633	688	883
18 United Kingdom	6,528	8,610	13,332	13,332	13,793	18,255	16,827	14,709	10,025
19 Canada	292	544	859	859	508	698	618	625	1,817
20 Latin America and Caribbean	4,784	4,053	3,359	3,359	3,554	3,125	3,139	3,021	3,024
21 Bahamas	537	379	1,148	1,148	1,158	1,052	1,112	926	931
22 Bermuda	114	114	0	0	120	115	15	80	149
23 Brazil	6	19	18	18	18	18	7	207	58
24 British West Indies	3,524	2,850	1,533	1,533	1,613	1,297	1,344	1,160	1,231
25 Mexico	7	12	17	17	14	13	15	0	10
26 Venezuela	4	6	5	5	5	5	5	5	5
27 Asia[2]	5,381	5,818	5,689	5,689	5,650	5,694	8,149	8,147	8,011
28 Japan	4,116	4,750	4,620	4,620	4,638	4,760	6,947	7,013	6,990
29 Middle Eastern oil-exporting countries[3]	13	19	23	23	24	24	31	35	27
30 Africa	6	6	133	133	133	9	133	135	156
31 Oil-exporting countries[4]	4	0	123	123	124	0	123	123	122
32 All other[5]	52	33	109	109	58	30	19	50	40
Commercial liabilities									
33 Europe	8,701	7,398	6,835	6,835	6,550	6,921	6,867	6,855	6,906
34 Belgium and Luxembourg	248	298	239	239	251	254	287	231	273
35 France	1,039	700	655	655	554	712	742	763	696
36 Germany	1,052	729	684	684	577	670	552	611	510
37 Netherlands	710	535	688	688	628	649	674	723	576
38 Switzerland	575	350	375	375	388	473	391	335	389
39 United Kingdom	2,297	2,505	2,047	2,047	2,151	2,311	2,351	2,450	2,857
40 Canada	1,014	1,002	879	879	1,039	1,070	1,068	1,038	1,203
41 Latin America and Caribbean	1,355	1,533	1,666	1,666	1,908	2,007	1,790	1,865	1,541
42 Bahamas	3	3	21	21	8	2	6	19	8
43 Bermuda	310	307	350	350	493	418	200	345	265
44 Brazil	219	209	216	216	211	217	148	163	98
45 British West Indies	107	33	27	27	20	24	33	23	29
46 Mexico	307	457	483	483	556	705	673	576	512
47 Venezuela	94	142	126	126	150	194	192	279	273
48 Asia[2]	9,334	10,594	10,992	10,992	10,939	10,979	10,514	11,077	10,961
49 Japan	3,721	3,612	4,314	4,314	4,617	4,389	4,235	4,808	4,794
50 Middle Eastern oil-exporting countries[3]	1,498	1,889	1,542	1,542	1,542	1,841	1,688	1,610	1,804
51 Africa	715	568	464	464	490	523	482	442	464
52 Oil-exporting countries[4]	327	309	171	171	199	247	271	262	248
53 Other[5]	1,071	575	574	574	720	638	633	519	541

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), p. 550.
2. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type of claim, and area or country	1991	1992	1993	1993	1994				1995
				Dec	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**45,262**	**45,073**	**48,197**	**48,197**	**49,125**	**48,436**	**50,320**	**55,783**	**51,372r**
2 Payable in dollars	42,564	42,281	44,920	44,920	45,746	44,763	46,839	52,641	47,047r
3 Payable in foreign currencies	2,698	2,792	3,277	3,277	3,379	3,673	3,481	3,142	4,325r
By type									
4 Financial claims	27,882	26,509	27,528	27,528	28,461	27,064	28,672	32,714	27,920
5 Deposits	20,080	17,695	15,681	15,681	15,973	15,769	16,570	18,645	16,573
6 Payable in dollars	19,080	16,872	15,146	15,146	15,471	15,164	16,009	18,194	15,979
7 Payable in foreign currencies	1,000	823	535	535	502	605	561	451	594
8 Other financial claims	7,802	8,814	11,847	11,847	12,488	11,295	12,102	14,069	11,347
9 Payable in dollars	6,910	7,890	10,655	10,655	11,301	9,972	10,914	13,009	10,180
10 Payable in foreign currencies	892	924	1,192	1,192	1,187	1,323	1,188	1,060	1,167
11 Commercial claims	17,380	18,564	20,669	20,669	20,664	21,372	21,648	23,069	23,452r
12 Trade receivables	14,468	16,007	17,666	17,666	17,769	18,552	18,867	20,204	20,503r
13 Advance payments and other claims	2,912	2,557	3,003	3,003	2,895	2,820	2,781	2,865	2,949r
14 Payable in dollars	16,574	17,519	19,119	19,119	18,974	19,627	19,916	21,438	20,888r
15 Payable in foreign currencies	806	1,045	1,550	1,550	1,690	1,745	1,732	1,631	2,564r
By area or country									
Financial claims									
16 Europe	13,441	9,331	7,249	7,249	7,257	6,698	8,042	7,638	7,222
17 Belgium and Luxembourg	13	8	134	134	125	83	114	86	69
18 France	269	764	826	826	790	995	831	800	805
19 Germany	283	326	526	526	466	459	413	540	443
20 Netherlands	334	515	502	502	503	472	503	429	606
21 Switzerland	581	490	530	530	535	509	747	523	490
22 United Kingdom	11,534	6,252	3,535	3,535	3,699	3,062	4,326	4,395	3,867
23 Canada	2,642	1,833	2,032	2,032	2,207	3,080	3,164	3,801	4,090
24 Latin America and Caribbean	10,717	13,893	16,031	16,031	15,968	14,591	14,808	18,723	14,798
25 Bahamas	827	778	1,310	1,310	1,285	1,281	1,070	2,329	905
26 Bermuda	8	40	125	125	34	39	52	27	37
27 Brazil	351	686	654	654	672	466	411	520	487
28 British West Indies	9,056	11,747	12,536	12,536	12,704	11,792	12,143	14,802	12,574
29 Mexico	212	445	868	868	850	614	655	606	472
30 Venezuela	40	29	161	161	26	33	32	35	27
31 Asia	640	864	1,657	1,657	2,550	2,234	2,175	1,835	1,457
32 Japan	350	668	892	892	1,657	1,349	662	931	584
33 Middle Eastern oil-exporting countries[2]	5	3	3	3	5	2	19	141	4
34 Africa	57	83	99	99	76	74	87	249	77
35 Oil-exporting countries[3]	1	9	1	1	0	1	1	0	9
36 All other[4]	385	505	460	460	403	387	396	468	276
Commercial claims									
37 Europe	8,193	8,451	9,097	9,097	8,772	8,925	8,783	9,579	9,078r
38 Belgium and Luxembourg	194	189	184	184	177	179	174	217	199
39 France	1,585	1,537	1,947	1,947	1,830	1,779	1,766	1,886	1,797
40 Germany	955	933	1,018	1,018	947	938	880	1,046	1,000
41 Netherlands	645	552	423	423	355	294	330	314	334
42 Switzerland	295	362	432	432	415	686	538	559	562
43 United Kingdom	2,086	2,094	2,369	2,369	2,342	2,434	2,490	2,554	2,411r
44 Canada	1,121	1,286	1,360	1,360	1,483	1,468	1,503	1,543	1,993r
45 Latin America and Caribbean	2,655	3,043	3,284	3,284	3,573	3,903	3,971	4,147	4,112r
46 Bahamas	13	28	11	11	13	18	34	9	16
47 Bermuda	264	255	182	182	222	295	246	234	202
48 Brazil	427	357	463	463	422	502	473	614	675r
49 British West Indies	41	40	71	71	58	67	49	83	58
50 Mexico	842	924	994	994	1,014	1,047	1,137	1,244	1,101r
51 Venezuela	203	345	296	296	296	305	394	355	291r
52 Asia	4,591	4,866	5,906	5,906	5,851	6,141	6,433	6,745	6,960r
53 Japan	1,899	1,903	2,173	2,173	2,353	2,359	2,448	2,497	2,727r
54 Middle Eastern oil-exporting countries[2]	620	693	716	716	668	616	616	700	685r
55 Africa	430	554	521	521	515	492	462	473	474r
56 Oil-exporting countries[3]	95	78	85	85	102	90	68	76	75r
57 Other[4]	390	364	501	501	470	443	496	582	835r

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65 (July 1979), p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1993	1994	1995	1994	1995					
			Jan.–June	Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	319,664	350,558	204,031	28,094	24,999	29,443	35,332	30,082[r]	38,769	45,406
2 Foreign sales	298,086	348,648	201,723	29,727	25,893	29,685	37,653	29,206[r]	36,087	43,199
3 **Net purchases, or sales (−)**	**21,578**	**1,910**	**2,308**	**−1,633**	**−894**	**−242**	**−2,321**	**876**	**2,682**	**2,207**
4 ***Foreign countries***	**21,306**	**1,900**	**2,366**	**−1,635**	**−930**	**−197**	**−2,291**	**877**	**2,692**	**2,215**
5 Europe	10,658	6,717	1,328	1,110	516	10	1,304	165[r]	381	44
6 France	103	201	−757	119	255	−27	−250	80	66	79
7 Germany	1,642	2,110	1,468	158	157	55	243	261	528	−224
8 Netherlands	−602	2,251	1,399	652	278	232	296	349	174	70
9 *Switzerland*	2,986	30	−2,292	8	−389	−78	−475	673	476	201
10 *United Kingdom*	4,559	840	2,643	1,265	253	−51	−309	1,125[r]	1,382	243
11 Canada	3,213	−1,160	1,039	175	129	27	333	197[r]	75	740
12 Latin America and Caribbean	5,719	2,108	3,709	−577	991	766	243	570	26	1,651
13 Middle East[1]	−321	−1,142	355	−86	−22	133	73	59	−87	99
14 Other Asia	8,198	−1,207	1,000	171	1,469	851	342	314	2,013	1,335
15 *Japan*	3,825	1,190	2,096	174	860	541	−321	29	86	−489
16 Africa	63	29	0	25	36	0	10	10	41	15
17 Other countries	202	771	379	159	7	4	14	24	295	97
18 **Nonmonetary international and regional organizations**	**272**	**10**	**−58**	**2**	**36**	**−45**	**−30**	**−1**	**−10**	**−8**
BONDS[2]										
19 Foreign purchases	283,824	291,084	136,027	18,931	19,247	22,789	25,390	18,163[r]	22,830	27,608
20 Foreign sales	217,824	229,520	96,024	14,702	12,626	16,354	17,552	14,111	16,609	18,772
21 **Net purchases, or sales (−)**	**66,000**	**61,564**	**40,003**	**4,229**	**6,621**	**6,435**	**7,838**	**4,052[r]**	**6,221**	**8,836**
22 **Foreign countries**	**65,462**	**60,679**	**40,244**	**3,889**	**6,417**	**6,489**	**8,151**	**4,035[r]**	**6,309**	**8,843**
23 Europe	22,587	38,708	32,481	2,711	6,807	6,037	4,976	2,271[r]	4,944	7,446
24 France	2,346	242	435	4	157	296	−85	−874	27	44
25 Germany	887	657	2,433	451	1,516	526	176	−83	−17	667
26 Netherlands	290	3,322	134	28	241	126	154	37	191	−59
27 Switzerland	627	1,055	65	12	−85	304	61	87	124	130
28 United Kingdom	19,686	33,283	30,353	1,929	5,416	4,800	5,248	3,396[r]	4,764	6,729
29 Canada	1,668	2,958	1,329	445	245	175	289	184	277	159
30 Latin America and Caribbean	15,691	5,442	2,008	662	655	480	1,285	889	678	291
31 Middle East[1]	3,248	771	870	193	59	119	328	326	26	64
32 Other Asia	20,846	12,153	3,284	240	28	595	1,150	356	426	785
33 Japan	11,569	5,486	1,745	174	396	132	570	275	871	293
34 Africa	1,149	7	57	8	8	4	22	11	5	47
35 Other countries	273	654	215	16	−19	47	101	20	15	51
36 **Nonmonetary international and regional organizations**	**538**	**885**	**−241**	**340**	**204**	**−54**	**−313**	**17**	**−88**	**−7**
	Foreign securities									
37 Stocks, *net purchases, or sales* (−)	62,691	47,232	13,951	2,359	159	1,086	−2,844	2,148[r]	−3,632	4,082
38 Foreign purchases	245,490	386,942	165,428	26,332	26,303	27,154	28,995	24,485[r]	29,213	29,278
39 Foreign sales	308,181	434,174	179,379	28,691	26,462	28,240	31,839	26,633[r]	32,845	33,360
40 Bonds, net purchases, or sales (−)	−80,377	9,332	16,031	300	−802	1,851	−1,189	−799[r]	−4,294	7,096
41 Foreign purchases	745,952	848,334	433,355	66,461	68,120	61,226	79,056	53,639[r]	75,190	96,124
42 Foreign sales	826,329	857,666	449,386	66,161	68,922	63,077	80,245	54,438[r]	79,484	103,220
43 **Net purchases, or sales (−), of stocks and bonds**	**−143,068**	**−56,564**	**−29,982**	**−2,059**	**−961**	**−2,937**	**−4,033**	**−2,947[r]**	**−7,926**	**−11,178**
44 **Foreign countries**	**−143,232**	**−57,084**	**−29,642**	**−2,814**	**−1,025**	**−2,773**	**−3,944**	**−3,103[r]**	**−7,930**	**−10,867**
45 Europe	−100,872	2,726	−16,566	2,809	1,599	1,290	1,871	1,902[r]	−7,479	5,623
46 Canada	15,664	−7,481	2,919	1,643	187	850	1,150	−1,195	5	1,232
47 Latin America and Caribbean	7,600	18,387	3,299	373	308	−2,496	1,282	584	483	−280
48 Asia	15,159	24,272	6,869	2,026	2,044	13	9	533	1,388	2,926
49 Africa	185	−467	179	−88	1	−116	85	14	−68	67
50 Other countries	3,752	3,751	190	93	−86	266	265	43	527	739
51 **Nonmonetary international and regional organizations**	**164**	**520**	**−340**	**755**	**64**	**−164**	**−89**	**156**	**4**	**−311**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to *finance direct investments abroad*.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1993	1994	1995 Jan.– June	1994 Dec.	1995 Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total estimated**	**23,552**	**78,796**	**76,389**	**11,752**	**9,578**	**14,103**	**9,211**	**6,400**	**14,519**	**22,578**
2 Foreign countries	23,368	78,632	76,123	11,964	10,252	13,385	9,107	6,416	14,568	22,395
3 Europe	−2,373	38,608	25,987	8,300	3,258	13,294	3,109	3,152	509	2,665
4 Belgium and Luxembourg	1,218	1,098	−306	434	134	107	51	62	−512	−148
5 Germany	−9,976	5,709	3,801	725	60	−543	1,461	1,216	−4,129	−1,866
6 Netherlands	−515	1,254	3,017	156	2,388	−239	−7	−243	40	1,078
7 Sweden	1,421	794	296	61	−35	97	30	−70	211	63
8 Switzerland	−1,501	481	77	681	141	165	−418	−173	353	9
9 United Kingdom	6,197	23,438	22,939	6,243	579	10,448	3,099	2,251	5,203	1,359
10 Other Europe and former U.S.S.R.	783	5,834	3,765	0	−9	3,259	−1,107	109	−657	2,170
11 Canada	10,309	3,491	4,340	−559	3,177	1,486	434	−1,391	201	433
12 Latin America and Caribbean	−4,561	−10,179	7,419	978	636	−3,268	−2,332	3,212	3,803	5,368
13 Venezuela	390	−319	794	91	−211	329	387	184	−16	121
14 Other Latin America and Caribbean	5,795	−20,493	6,117	74	3,028	−3,325	−3,358	2,189	2,425	5,158
15 Netherlands Antilles	844	10,633	508	813	−2,181	272	639	839	1,394	89
16 Asia	20,582	47,042	37,391	3,640	3,577	1,730	8,445	1,189	9,845	12,605
17 Japan	17,070	29,518	23,290	2,067	3,444	2,316	4,167	1,487	6,291	5,585
18 Africa	1,156	240	276	58	−9	49	−9	−36	39	242
19 Other	−1,745	−570	710	−453	−387	94	−540	290	171	1,082
20 Nonmonetary international and regional organizations	184	164	266	−212	−674	718	104	−16	−49	183
21 International	−330	526	11	−131	−708	608	458	−294	356	−409
22 Latin American regional	653	−154	155	−3	−6	199	−367	228	−528	629
MEMO										
23 Foreign countries	23,368	78,632	76,123	11,964	10,252	13,385	9,107	6,416	14,568	22,395
24 Official institutions	1,306	41,822	20,217	608	1,829	2,110	4,022	3,144	−1,810	10,922
25 Other foreign[2]	22,062	36,810	55,906	11,356	8,423	11,275	5,085	3,272	16,378	11,473
Oil-exporting countries										
26 Middle East[2]	−8,836	−38	188	−405	−360	−89	152	733	1,063	815
27 Africa[3]	−5	0	2	1	0	0	1	0	0	1

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States)

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Aug. 31, 1995		Country	Rate on Aug. 31, 1995		Country	Rate on Aug. 31, 1995	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	3.5	Aug. 1995	Germany	3.5	Aug. 1995	Norway	4.75	Feb. 1994
Belgium	3.5	Aug. 1995	Italy	9.0	June 1995	Switzerland	2.5	Aug. 1995
Canada	6.59	Aug. 1995	Japan	1.0	Apr. 1995	United Kingdom	12.0	Sept. 1992
Denmark	5.0	Aug. 1995	Netherlands	3.5	Aug. 1995			
France[2]	5.0	July 1994						

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1992	1993	1994	1995						
				Jan.	Feb.	Mar.	Apr.	May	June	July
1 Eurodollars	3.70	3.18	4.63	6.14	6.15	6.13	6.03	5.89	5.79	5.79
2 United Kingdom	9.56	5.88	5.45	6.68	6.61	6.64	6.64	6.63	6.73	6.74
3 Canada	6.76	5.14	5.57	8.14	8.32	8.16	7.56	7.07	6.69	6.62
4 Germany	9.42	7.17	5.25	5.00	4.96	4.58	4.49	4.43	4.46	4.35
5 Switzerland	7.67	4.79	4.03	3.77	3.62	3.33	3.29	3.09	2.77	2.79
6 Netherlands	9.25	6.73	5.09	5.03	5.03	4.60	4.41	4.21	4.14	4.02
7 France	10.14	8.30	5.72	5.70	7.77	7.60	7.29	7.04	6.31	5.81
8 Italy	13.91	10.09	8.45	9.07	10.98	10.94	10.38	10.91	10.93	10.45
9 Belgium	9.31	8.10	5.65	5.33	6.21	5.22	5.16	4.62	4.52	4.41
10 Japan	4.39	2.96	2.24	2.27	2.11	1.55	1.31	1.16	.91	.82

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills, and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1992	1993	1994	1995 Mar.	Apr	May	June	July	Aug.
1 Australia/dollar[2]	73 521	67.993	73.161	73.452	73.564	72.716	71.959	72.792	74.137
2 Austria/schilling	10.992	11 639	11.409	9.898	9.720	9.912	9.854	9.765	10.168
3 Belgium/franc	32.148	34.581	33.426	29.035	28.419	29.009	28 790	28.562	29.735
4 Canada/dollar	1.2085	1.2902	1.3664	1.4077	1 3762	1.3609	1.3775	1.3612	1.3552
5 China, P.R./yuan	5.5206	5.7795	8.6404	8.4483	8.4421	8.3370	8.3288	8 3207	8.3253
6 Denmark/krone	6.0372	6.4863	6.3561	5.6281	5.4391	5.5194	5.4604	5.4073	5.6060
7 Finland/markka	4.4865	5.7251	5.2340	4.3967	4.2884	4.3386	4.3134	4.2592	4.3170
8 France/franc	5.2935	5.6669	5.5459	4.9756	4.8503	4.9869	4.9172	4.8307	4.9727
9 Germany/deutsche mark	1.5618	1.6545	1.6216	1.4061	1.3812	1.4096	1.4012	1.3886	1.4456
10 Greece/drachma	190.81	229.64	242.50	228.53	225.19	228.46	226.56	225 45	232.38
11 Hong Kong/dollar	7.7402	7.7357	7.7290	7.7318	7.7336	7 7351	7 7356	7 7385	7.7416
12 India/rupee	28.156	31.291	31.394	31.587	31.407	31.418	31 404	31.385	31.592
13 Ireland/pound[2]	170.42	146.47	149.69	159.76	162 80	161.98	162 87	163.96	160 25
14 Italy/lira	1,232.17	1,573.41	1,611.49	1,688.99	1,710.89	1,652.78	1,639.75	1,609.71	1,607 18
15 Japan/yen	126.78	111.08	102.18	90.52	83.69	85.11	84.64	87.40	94.74
16 Malaysia/ringgit	2 5463	2.5738	2.6237	2.5464	2.4787	2.4684	2.4396	2.4500	2.4813
17 Netherlands/guilder	1.7587	1.8585	1.8190	1.5774	1.5474	1.5779	1.5686	1.5557	1 6195
18 New Zealand/dollar[2]	53.792	54 127	59.358	64.598	66.723	66.740	66.947	67.417	65.687
19 Norway/krone	6.2142	7.1009	7.0553	6.2730	6.2050	6.2980	6.2387	6.1710	6.3438
20 Portugal/escudo	135.07	161.08	165 93	147.92	145.89	148.40	147.63	145.88	149.88
21 Singapore/dollar	1.6294	1.6158	1.5275	1.4216	1.3986	1.3947	1.3953	1.3984	1.4116
22 South Africa/rand	2.8524	3.2729	3.5526	3.6013	3.6035	3.6574	3.6627	3.6404	3.6402
23 South Korea/won	784.66	805.75	806.93	781.81	770.61	764.43	763.88	760.05	768 88
24 Spain/peseta	102.38	127.48	133 88	128.58	124.14	123.22	121.71	119.71	123.45
25 Sri Lanka/rupee	44.013	48.211	49 170	49 627	49.371	49.558	50.210	50.899	51.227
26 Sweden/krona	5 8258	7 7956	7 7161	7.2787	7.3455	7.3072	7.2631	7.1749	7.2383
27 Switzerland/franc	1.4064	1.4781	1.3667	1.1709	1.1384	1.1693	1 1588	1.1556	1.1962
28 Taiwan/dollar	25.160	26.416	26.465	26.102	25.491	25.537	25 784	26.278	27.234
29 Thailand/baht	25.411	25.333	25.161	24.760	24.572	24.663	24.672	24.755	24.960
30 United Kingdom/pound[2]	176.63	150.16	153.19	160.02	160.73	158.74	159.48	159 52	156.68
MEMO									
31 United States/dollar[3]	86.61	93.18	91.32	83.69	81.81	82.73	82.27	81.90	84.59

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700)

Guide to Statistical Releases and Special Tables

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4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1995[1]

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
1 **Total assets**[4]	**764,039[r]**	**323,151[r]**	**582,058[r]**	**263,276**	**77,191[r]**	**33,444**	**65,726**	**18,134**
2 Claims on nonrelated parties	684,291[r]	186,164[r]	515,903	150,021	72,710	17,511	63,900	13,090
3 Cash and balances due from depository institutions	152,685	126,524	131,000	106,683	7,971	7,410	11,978	11,294
4 Cash items in process of collection and unposted debits	2,632	0	2,468	0	4	0	105	0
5 Currency and coin (U.S. and foreign)	21	n.a.	14	n.a.	1	n.a.	1	n.a.
6 Balances with depository institutions in United States	90,803	70,547	76,654	57,786	5,306	4,802	8,092	7,634
7 U.S. branches and agencies of other foreign banks (including IBFs)	85,985	67,969	72,445	55,316	5,028	4,735	7,965	7,594
8 Other depository institutions in United States (including IBFs)	4,818	2,578	4,209	2,470	278	67	127	40
9 Balances with banks in foreign countries and with foreign central banks	58,921	55,977	51,635	48,897	2,624	2,608	3,773	3.660
10 Foreign branches of U.S. banks	1,990	1,759	1,803	1,572	43	42	121	121
11 Other banks in foreign countries and foreign central banks	56,930	54,218	49,832	47,325	2,581	2,566	3,652	3.539
12 Balances with Federal Reserve Banks	308	n.a.	229	n.a.	35	n.a.	7	n.a.
13 **Total securities and loans**	**386,967[r]**	**50,609[r]**	**261,578[r]**	**36,018**	**58,126[r]**	**8,981**	**38,841**	**1,371**
14 Total securities, book value	88,984	11,839	81,355[r]	10,640	4,257	662	2,760	516
15 U.S. Treasury	25,453	n.a.	24,168	n.a.	654	n.a.	531	n.a.
16 Obligations of U.S. government agencies and corporations	22,011	n.a.	21,404	n.a.	344	n.a.	92	n.a.
17 Other bonds, notes, debentures, and corporate stock *(including state and local securities)*	41,521[r]	11,839	35,783	10,640	3,260	662	2,137	516
18 Securities of foreign governmental units	13,685	5,260	12,519	4,828	608	271	428	140
19 All Other	27,835	6,579	23,264	5,812	2,651	391	1,709	376
20 *Federal funds sold and securities purchased under agreements to resell*	40,031	3,906	36,983	3,157	937	458	1,487	200
21 U.S. branches and agencies of other foreign banks	8,815[r]	2,781	7,558	2,430	615[r]	343	415	0
22 Commercial banks in United States	6,818[r]	275	6,013	75	158[r]	0	343	200
23 Other	24,398	850	23,412	651	165	115	729	0
24 Total loans, gross	298,133[r]	38,782[r]	180,318	25,385	53,905[r]	8,321	36,089	855
25 LESS: Unearned income on loans	150	12	95	7	36	2	7	0
26 EQUALS: Loans, net	297,982[r]	38,770[r]	180,223	25,377	53,869[r]	8,318	36,082	855
Total loans, gross, by category								
27 Real estate loans	38,230[r]	262	21,716	95	11,170[r]	166	3,190	0
28 Loans to depository institutions	37,577	24,138	23,453	14,290	8,724	6,397	1,199	420
29 Commercial banks in United States (including IBFs)	17,708	8,747	10,032	4,025	6,430	4,371	949	215
30 U.S. branches and agencies of other foreign banks	15,147	8,265	8,384	3,666	6,250	4,280	326	215
31 Other commercial banks in United States	2,561	481	1,648	359	180	91	623	0
32 Other depository institutions in United States (including IBFs)	34	0	34	0	0	0	0	0
33 Banks in foreign countries	19,834	15,391[r]	13,386	10,265	2,293	2,026	250	205
34 Foreign branches of U.S. banks	481	416	412	350	66	63	0	0
35 Other banks in foreign countries	19,353	14,975	12,974	9,915	2,227	1,963	250	205
36 Loans to other financial institutions	24,985	788[r]	20,071	638	2,231	48	2,207	83
37 Commercial and industrial loans	179,159[r]	11,323[r]	100,681	8,313	30,907[r]	1,644	27,325	333
38 U.S. addressees (domicile)	157,328[r]	54	85,047[r]	41	28,103[r]	4	26,380[r]	0
39 Non-U.S. addressees (domicile)	21,831	11,269[r]	15,634[r]	8,272	2,804[r]	1,640	945[r]	333
40 Acceptances of other banks	676	61	497	54	39	0	67	0
41 U.S. banks	300	0	266	0	17	0	7	0
42 Foreign banks	376	61	232	54	22	0	60	0
43 *Loans to foreign governments and official institutions (including foreign central banks)*	3,402	1,934	2,789	1,755	174	66	97	20
44 Loans for purchasing or carrying securities (secured and unsecured)	7,553	30	7,189	30	201	0	66	0
45 All *other loans*	5,222	210	2,626	174	446	0	1,920	0
46 Assets held in trading accounts	36,472[r]	276	27,151[r]	276	1,024	0	8,297[r]	0
47 All other assets	68,136[r]	4,848	59,190[r]	3,887	4,651[r]	662	3,297[r]	225
48 Customers' liabilities on acceptances outstanding	12,034	n.a.	8,560	n.a.	2,546	n.a.	393	n.a.
49 U.S. addressees (domicile)	9,056	n.a.	5,945	n.a.	2,423	n.a.	385	n.a.
50 Non-U.S. addressees (domicile)	2,979	n.a.	2,615	n.a.	123	n.a.	8	n.a.
51 Other assets including other claims on nonrelated parties	56,102[r]	4,848	50,630[r]	3,887	2,105[r]	662	2,904[r]	225
52 Net due from related depository institutions[5]	79,747	136,987	66,156	113,255	4,481	15,933	1,826	5,044
53 Net due from head office and other related depository institutions[5]	79,747	n.a.	66,156	n.a.	4,481	n.a.	1,826	n.a.
54 Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	136,987	n.a.	113,255	n.a.	15,933	n.a.	5,044
55 **Total liabilities**[4]	**764,039[r]**	**323,151[r]**	**582,058[r]**	**263,276**	**77,191[r]**	**33,444**	**65,726**	**18,134**
56 Liabilities to nonrelated parties	649,435	301,515	534,554	248,206	56,374	32,910	40,457	13,897

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1995[1]—Continued

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
57 Total deposits and credit balances	152,952	233,267	129,314	212,752	5,094	6,322	9,764	8,906
58 Individuals, partnerships, and corporations	103,383[r]	11,899	83,622	7,553	4,398	503	8,053[r]	20
59 U.S. addressees (domicile)	89,508[r]	78	75,841	78	2,595	0	7,191[r]	0
60 Non-U.S. addressees (domicile)	13,875[r]	11,821	7,781	7,475	1,803	503	862[r]	20
61 Commercial banks in United States (including IBFs)	28,156	64,191[r]	25,768	59,598[r]	360	2,378	1,537	1,978
62 U.S. branches and agencies of other foreign banks	15,119	59,135[r]	14,240	55,004[r]	138	2,210	355	1,704
63 Other commercial banks in United States	13,037	5,056	11,528	4,594	221	168	1,182	274
64 Banks in foreign countries	8,852[r]	135,907[r]	8,468	126,888[r]	107	2,746	97[r]	5,313
65 Foreign branches of U.S. banks	3,261[r]	4,815	3,200	4,294	0	292	60[r]	124
66 Other banks in foreign countries	5,591[r]	131,092[r]	5,267	122,595[r]	107	2,454	37	5,189
67 Foreign governments and official institutions (including foreign central banks)	3,531	21,221	3,172	18,664	190	695	2	1,595
68 All other deposits and credit balances	8,646	49	7,948	49	18	0	66	0
69 Certified and official checks	384	n.a.	336	n.a.	22	n.a.	8	n.a.
70 Transaction accounts and credit balances (excluding IBFs)	7,956	n.a.	6,240	n.a.	382	n.a.	423	n.a.
71 Individuals, partnerships, and corporations	6,070[r]	n.a.	4,680	n.a.	296	n.a.	410	n.a.
72 U.S. addressees (domicile)	4,333[r]	n.a.	3,619	n.a.	221[r]	n.a.	404	n.a.
73 Non-U.S. addressees (domicile)	1,736[r]	n.a.	1,061	n.a.	75	n.a.	6	n.a.
74 Commercial banks in United States (including IBFs)	100	n.a.	92	n.a.	5	n.a.	0	n.a.
75 U.S. branches and agencies of other foreign banks	8	n.a.	6	n.a.	0	n.a.	0	n.a.
76 Other commercial banks in United States	93	n.a.	86	n.a.	5	n.a.	0	n.a.
77 Banks in foreign countries	836[r]	n.a.	632	n.a.	39	n.a.	2	n.a.
78 Foreign branches of U.S. banks	3	n.a.	2	n.a.	0	n.a.	0	n.a.
79 Other banks in foreign countries	834[r]	n.a.	630	n.a.	39	n.a.	2	n.a.
80 Foreign governments and official institutions (including foreign central banks)	459	n.a.	418	n.a.	2	n.a.	2	n.a.
81 All other deposits and credit balances	107	n.a.	81	n.a.	18	n.a.	1	n.a.
82 Certified and official checks	384	n.a.	336	n.a.	22	n.a.	8	n.a.
83 Demand deposits (included in transaction accounts and credit balances)	7,456	n.a.	6,037	n.a.	311	n.a.	410	n.a.
84 Individuals, partnerships, and corporations	5,710[r]	n.a.	4,569	n.a.	245	n.a.	397	n.a.
85 U.S. addressees (domicile)	4,197	n.a.	3,556	n.a.	186	n.a.	391	n.a.
86 Non-U.S. addressees (domicile)	1,513[r]	n.a.	1,013	n.a.	58	n.a.	6	n.a.
87 Commercial banks in United States (including IBFs)	83	n.a.	77	n.a.	3	n.a.	0	n.a.
88 U.S. branches and agencies of other foreign banks	8	n.a.	6	n.a.	0	n.a.	0	n.a.
89 Other commercial banks in United States	75	n.a.	70	n.a.	3	n.a.	0	n.a.
90 Banks in foreign countries	801[r]	n.a.	605	n.a.	38	n.a.	2	n.a.
91 Foreign branches of U.S. banks	3	n.a.	2	n.a.	0	n.a.	0	n.a.
92 Other banks in foreign countries	798[r]	n.a.	602	n.a.	38	n.a.	2	n.a.
93 Foreign governments and official institutions (including foreign central banks)	434	n.a.	413	n.a.	2	n.a.	2	n.a.
94 All other deposits and credit balances	44	n.a.	37	n.a.	1	n.a.	1	n.a.
95 Certified and official checks	384	n.a.	336	n.a.	22	n.a.	8	n.a.
96 Nontransaction accounts (including MMDAs, excluding IBFs)	144,996	n.a.	123,074	n.a.	4,712	n.a.	9,341	n.a.
97 Individuals, partnerships, and corporations	97,313[r]	n.a.	78,941	n.a.	4,102	n.a.	7,644	n.a.
98 U.S. addressees (domicile)	85,175[r]	n.a.	72,222	n.a.	2,373	n.a.	6,787[r]	n.a.
99 Non-U.S. addressees (domicile)	12,138[r]	n.a.	6,720	n.a.	1,729	n.a.	856[r]	n.a.
100 Commercial banks in United States (including IBFs)	28,056	n.a.	25,676	n.a.	355	n.a.	1,536	n.a.
101 U.S. branches and agencies of other foreign banks	15,111	n.a.	14,234	n.a.	138	n.a.	355	n.a.
102 Other commercial banks in United States	12,945	n.a.	11,442	n.a.	217	n.a.	1,182	n.a.
103 Banks in foreign countries	8,016[r]	n.a.	7,835	n.a.	68	n.a.	95[r]	n.a.
104 Foreign branches of U.S. banks	3,258[r]	n.a.	3,198	n.a.	0	n.a.	60[r]	n.a.
105 Other banks in foreign countries	4,757	n.a.	4,637	n.a.	68	n.a.	35	n.a.
106 Foreign governments and official institutions (including foreign central banks)	3,072	n.a.	2,754	n.a.	187	n.a.	0	n.a.
107 All other deposits and credit balances	8,539	n.a.	7,867	n.a.	0	n.a.	66	n.a.
108 IBF deposit liabilities	n.a.	233,267	n.a.	212,752	n.a.	6,322	n.a.	8,906
109 Individuals, partnerships, and corporations	n.a.	11,899	n.a.	7,553	n.a.	503	n.a.	20
110 U.S. addressees (domicile)	n.a.	78	n.a.	78	n.a.	0	n.a.	0
111 Non-U.S. addressees (domicile)	n.a.	11,821	n.a.	7,475	n.a.	503	n.a.	20
112 Commercial banks in United States (including IBFs)	n.a.	64,191[r]	n.a.	59,598[r]	n.a.	2,378	n.a.	1,978
113 U.S. branches and agencies of other foreign banks	n.a.	59,135[r]	n.a.	55,004[r]	n.a.	2,210	n.a.	1,704
114 Other commercial banks in United States	n.a.	5,056	n.a.	4,594	n.a.	168	n.a.	274
115 Banks in foreign countries	n.a.	135,907[r]	n.a.	126,888[r]	n.a.	2,746	n.a.	5,313
116 Foreign branches of U.S. banks	n.a.	4,815	n.a.	4,294	n.a.	292	n.a.	124
117 Other banks in foreign countries	n.a.	131,092[r]	n.a.	122,595[r]	n.a.	2,454	n.a.	5,189
118 Foreign governments and official institutions (including foreign central banks)	n.a.	21,221	n.a.	18,664	n.a.	695	n.a.	1,595
119 All other deposits and credit balances	n.a.	49	n.a.	49	n.a.	0	n.a.	0

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1995[1]—Continued

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
120 Federal funds purchased and securities sold under agreements to repurchase	64,115	13,094	53,158	8,303	6,947	3,463	3,586[r]	1,165
121 U.S. branches and agencies of other foreign banks	9,983	3,329	6,082	1,524	2,933	1,399	687	249
122 Other commercial banks in United States	9,080[r]	241	6,576[r]	82	1,589	159	883	0
123 Other	45,052[r]	9,524	40,500[r]	6,697	2,426	1,905	2,016[r]	915
124 Other borrowed money	106,160[r]	49,998[r]	61,094[r]	22,791[r]	34,035[r]	22,542[r]	8,348[r]	3,666[r]
125 Owed to nonrelated commercial banks in United States (including IBFs)	35,406[r]	19,009[r]	14,708	5,338	16,731	12,239	2,713	992
126 Owed to U.S. offices of nonrelated U.S. banks	8,046[r]	1,798[r]	4,493	594	2,496[r]	1,081[r]	763	77
127 Owed to U.S. branches and agencies of nonrelated foreign banks	27,359[r]	17,212[r]	10,215	4,744	14,235[r]	11,158[r]	1,950	915
128 Owed to nonrelated banks in foreign countries	31,430[r]	29,191[r]	18,025	16,043	10,190	10,077	2,513	2,513
129 Owed to foreign branches of nonrelated U.S. banks	1,549[r]	1,450[r]	669	613	709	704	76	76
130 Owed to foreign offices of nonrelated foreign banks	29,880[r]	27,741[r]	17,356	15,430	9,480	9,373	2,437	2,436
131 Owed to others	39,325[r]	1,798	28,361	1,411	7,114	227	3,122[r]	161
132 All other liabilities	92,941	5,155	78,236	4,360	3,975	582	9,854	161
133 Branch or agency liability on acceptances executed and outstanding	12,590	n.a.	9,073	n.a.	2,516	n.a.	419	n.a.
134 Trading liabilities	31,409[r]	25[r]	23,967[r]	24[r]	19	1	7,390[r]	0
135 Other liabilities to nonrelated parties	48,942[r]	5,131[r]	45,197[r]	4,337[r]	1,440	581	2,044[r]	161
136 Net due to related depository institutions[5]	114,604[r]	21,636[r]	47,504	15,070	20,817[r]	534	25,269	4,237
137 Net owed to head office and other related depository institutions[5]	114,604[r]	n.a.	47,504	n.a	20,817[r]	n.a.	25,269	n.a.
138 Net owed to establishing entity, head office, and other related depository institutions[5]	n.a	21,636[r]	n.a	15,070	n.a.	534	n.a.	4,237
MEMO								
139 Non-interest-bearing balances with commercial banks in United States	1,133	29	822	0	125	29	42	0
140 Holding of commercial paper included in total loans	528		494		1		0	
141 Holding of own acceptances included in commercial and industrial loans	3,974		2,578		1,255		29	
142 Commercial and industrial loans with remaining maturity of one year or less	105,507[r]		58,859		18,283[r]		17,283	
143 Predetermined interest rates	61,750[r]	n.a.	34,140[r]	n.a	11,531[r]	n.a	11,701	n.a
144 Floating interest rates	43,756[r]		24,719[r]		6,752		5,581	
145 Commercial and industrial loans with remaining maturity of more than one year	73,652[r]		41,822		12,625[r]		10,042	
146 Predetermined interest rates	18,185[r]		10,363[r]		3,111		3,379	
147 Floating interest rates	55,467[r]		31,459[r]		9,513[r]		6,663	

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1995[1]—Continued

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[4]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
148 Components of total nontransaction accounts, *included in total deposits and credit balances of* nontransaction accounts, including IBFs	148,088	↑	126,550	↑	5,237	↑	9,582	↑
149 Time CDs in denominations of $100,000 or more	111,917	↑	95,631	↑	2,795	↑	7,573	↑
150 Other time deposits in denominations of $100,000 or more	28,211	n.a.	24,419	n.a.	1,496	n.a.	1,603	n.a.
151 *Time CDs in denominations of $100,000 or more* with remaining maturity of more than 12 months	7,960	↓	6,500	↓	945	↓	407	↓
	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
152 Market value of securities held	0	0	0	0	0	0	0	0
153 Immediately available funds with a maturity greater than one day *included in other borrowed money*	64,081[1]	n.a.	31,678	n.a.	26,626	n.a.	4,297	n.a.
154 Number of reports filed[6]	539	0	255	0	123	0	47	0

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "*Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks*." The form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items. IBF: international banking facility.

2. Includes the District of Columbia.

3. *Effective December 1981, the Federal Reserve Board amended Regulations D and Q* to permit banking offices located in the United States to operate international banking facilities (IBFs). Since December 31, 1985, data for IBFs have been reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data have been reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 statistical release, *gross* balances were included in total assets and *total liabilities. Therefore, total* asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. Related depository institutions includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a bank's parent holding company, and majority owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

A. Pro forma balance sheet

Millions of dollars

Item	June 30, 1995	
Short-term assets (Note 1)		
Imputed reserve requirement on clearing balances	404.3	
Investment in marketable securities	3,638.7	
Receivables	63.0	
Materials and supplies	8.1	
Prepaid expenses	25.5	
Items in process of collection	2,125.1	
Total short-term assets		6,264.7
Long-term assets (Note 2)		
Premises	349.0	
Furniture and equipment	162.8	
Leases and leasehold improvements	23.0	
Prepaid pension costs	221.3	
Total long-term assets		756.2
Total assets		**7,020.9**
Short-term liabilities		
Clearing balances and balances arising from early credit of uncollected items	4,096.2	
Deferred-availability items	2,071.8	
Short-term debt	96.7	
Total short-term liabilities		6,264.7
Long-term liabilities		
Obligations under capital leases	3.8	
Long-term debt	159.5	
Postretirement/postemployment benefits obligation	170.8	
Total long-term liabilities		334.1
Total liabilities		**6,598.8**
Equity		422.1
Total liabilities and equity (Note 3)		**7,020.9**

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

B. Pro forma income statement

Millions of dollars

Item	Quarter ended June 30, 1995		Six months ended June 30, 1995	
Revenue from services provided to depository institutions (Note 4)		183.1		365.1
Operating expenses (Note 5)		161.8		330.7
Income from operations		21.3		34.3
Imputed costs (Note 6)				
Interest on float	3.1		8.8	
Interest on debt	4.1		8.1	
Sales taxes	2.9		5.1	
FDIC insurance	1.8	11.9	5.4	27.4
Income from operations after imputed costs		9.4		6.9
Other income and expenses (Note 7)				
Investment income on clearing balances	61.6		125.5	
Earnings credits	55.8	5.8	110.1	15.3
Income before income taxes		15.1		22.3
Imputed income taxes (Note 8)		4.7		6.9
Income before cumulative effect of a change in accounting principle		10.4		15.4
Cumulative effect on previous years from retroactive application of accrual method of accounting for postemployment benefits (net of $6.5 million tax) (Note 9)		...		−14.6
Net income		**10.4**		**.8**
MEMO				
Targeted return on equity (Note 10)		9.6		17.7

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

NOTES TO FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

(1) Short-Term Assets

The imputed reserve requirement on clearing balances held at Reserve Banks by depository institutions reflects a treatment comparable to that of compensating balances held at correspondent banks by respondent institutions. The reserve requirement imposed on respondent balances must be held as vault cash or as nonearning balances maintained at a Reserve Bank; thus, a portion of priced services clearing balances held with the Federal Reserve is shown as required reserves on the asset side of the balance sheet. The remainder of clearing balances is assumed to be invested in three-month Treasury bills, shown as investment in marketable securities.

Receivables are (1) amounts due the Reserve Banks for priced services and (2) the share of suspense-account and difference-account balances related to priced services.

Materials and supplies are the inventory value of short-term assets.

Prepaid expenses include salary advances and travel advances for priced-service personnel.

Items in process of collection is gross Federal Reserve cash items in process of collection (CIPC) stated on a basis comparable to that of a commercial bank. It reflects adjustments for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; adjustments for items associated with non-priced items, such as those collected for government agencies; and adjustments for items associated with providing fixed availability or credit before items are received and processed. Among the costs to be recovered under the Monetary Control Act is the cost of float, or net CIPC during the period (the difference between gross CIPC and deferred-availability items which is the portion of gross CIPC that involves a financing cost), valued at the federal funds rate.

(2) Long-Term Assets

Consists of long-term assets used solely in priced services, the priced-services portion of long-term assets shared with nonpriced services, and an estimate of the assets of the Board of Governors used in the development of priced services. Effective Jan. 1, 1987, the Reserve Banks implemented the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* (SFAS 87). Accordingly, the Federal Reserve Banks recognized credits to expenses of $8.7 million in the second quarter of 1995, $7.2 million in the first quarter of 1995 and corresponding increases in this asset account.

(3) Liabilities and Equity

Under the matched-book capital structure for assets that are not "self-financing," 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 fifty largest bank holding companies, which are used in the model for the private-sector adjustment factor (PSAF). The PSAF consists of the taxes that would have been paid and the return on capital that would have been provided had priced services been furnished by a private-sector firm. Other short-term liabilities include clearing balances maintained at Reserve Banks and deposit balances arising from float. Other long-term liabilities consist of obligations on capital leases.

(4) Revenue

Revenue represents charges to depository institutions for priced services and is realized from each institution through one of two methods: direct charges to an institution's account or charges against its accumulated earnings credits.

(5) Operating Expenses

Operating expenses consist of the direct, indirect, and other general administrative expenses of the Reserve Banks for priced services plus the expenses for staff members of the Board of Governors working directly on the development of priced services. The expenses for Board staff members were $.7 million in both the first and second quarters of 1995. The credit to expenses under SFAS 87 (see note 2) is reflected in operating expenses.

(6) Imputed Costs

Imputed costs consist of interest on float, interest on debt, sales taxes, and the FDIC assessment. Interest on float is derived from the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs include costs for checks, book-entry securities, noncash collection, ACH, and funds transfers.

Interest is imputed on the debt assumed necessary to finance priced-service assets. The sales taxes and FDIC assessment that the Federal Reserve would have paid had it been a private-sector firm are among the components of the PSAF (see note 3).

The following list shows the daily average recovery of float by the Reserve Banks for the second quarter of 1995 in millions of dollars:

Total float	457.6
Unrecovered float	41.2
Float subject to recovery	416.4
Sources of float recovery	
Income on clearing balances	42.2
As-of adjustments	210.5
Direct charges	77.9
Per-item fees	85.8

Unrecovered float includes float generated by services to government agencies and by other central bank services. Float recovered through income on clearing balances is the result of the increase in investable clearing balances; the increase is produced by a deduction for float for cash items in process of collection, which reduces imputed reserve requirements. The income on clearing balances reduces the float to be recovered through other means. As-of adjustments and direct charges are mid-week 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 1995.

(7) Other Income and Expenses

Consists of investment income on clearing balances and the cost of earnings credits. Investment 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 granted to depository institutions on their clearing balances 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.

(8) Income Taxes

Imputed income taxes are calculated at the effective tax rate derived from the PSAF model (see note 3).

(9) Postemployment Benefits

Effective Jan. 1, 1995, the Reserve Banks implemented SFAS 112, *Employers' Accounting for Postemployment Benefits*. Accordingly in the first quarter of 1995 the Reserve Banks recognized a one-time cumulative charge of $21.1 million to reflect the retroactive application of this change in accounting principle.

(10) 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, as derived from the PSAF model (see note 3). This amount is adjusted to reflect the recovery of automation consolidation costs of $1.7 million for the second quarter of 1995 and $.3 million for the first quarter of 1995. The Reserve Banks plan to recover these amounts, along with a finance charge, by the end of the year 2000.

Index to Statistical Tables

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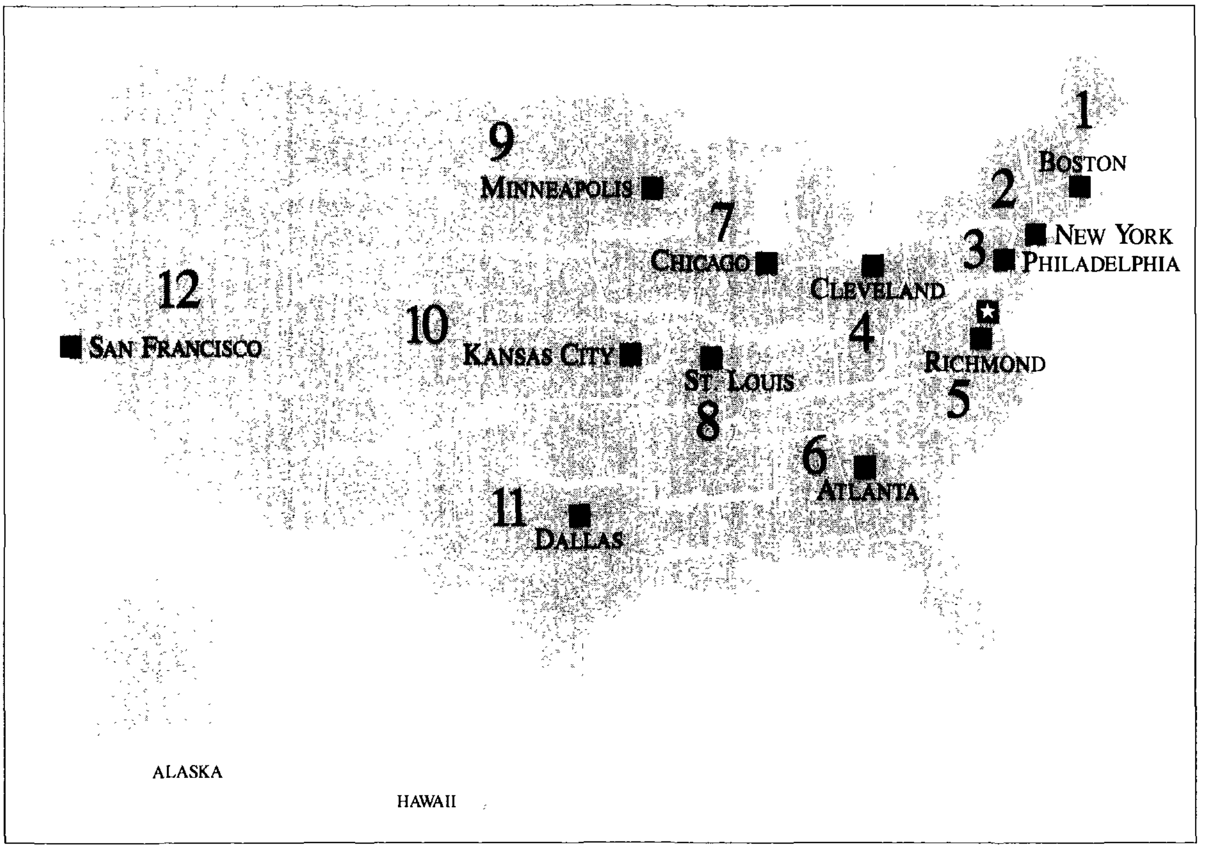
Maps of the Federal Reserve System



LEGEND

Both pages

- ■ Federal Reserve Bank city
- ◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

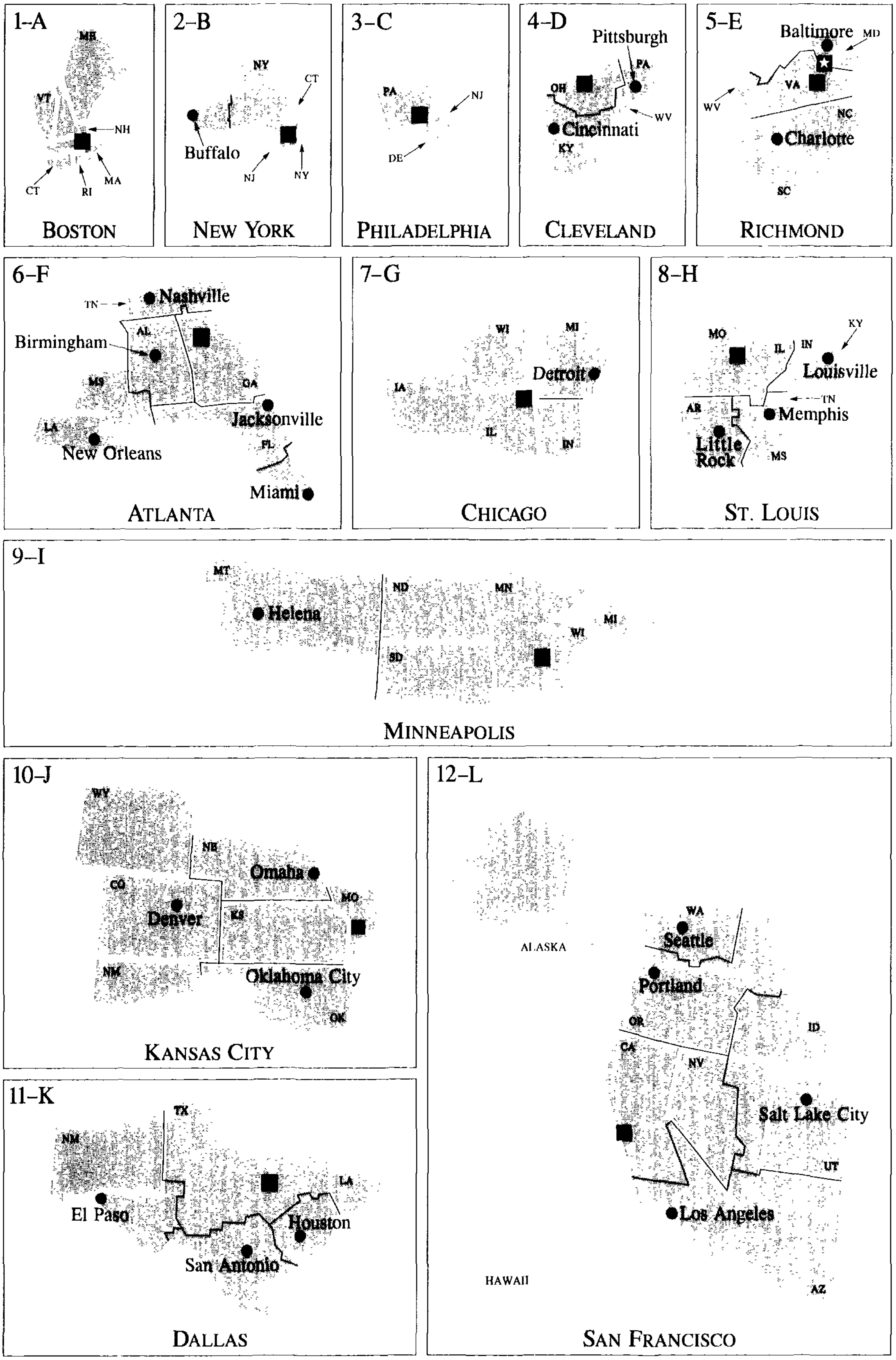
- • Federal Reserve Branch city
- — Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.



1–A
ME
VT
NH
CT
RI
MA
BOSTON
2–B
NY
CT
Buffalo
NJ
NY
NEW YORK
3–C
PA
NJ
DE
PHILADELPHIA
4–D
Pittsburgh
PA
OH
WV
Cincinnati
KY
CLEVELAND
5–E
Baltimore
MD
WV
VA
NC
Charlotte
SC
RICHMOND
6–F
TN
Nashville
Birmingham
AL
MS
GA
Jacksonville
LA
New Orleans
FL
Miami
ATLANTA
7–G
WI
MI
Detroit
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IN
CHICAGO
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KY
Louisville
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Memphis
Little Rock
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ST. LOUIS
9–I
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Helena
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Denver
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Oklahoma City
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KANSAS CITY
11–K
TX
NM
LA
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Houston
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HAWAII
AZ
SAN FRANCISCO

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FEDERAL RESERVE BANK branch, or *facility*	Zip	Chairman / Deputy Chairman	President / First Vice President	Vice President in charge of branch
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		William C. Brainard	Paul M. Connolly	
NEW YORK*	10045	Maurice R. Greenberg	William J. McDonough	
		John C. Whitehead	Ernest T. Patrikis	
Buffalo	14240	Joseph J. Castiglia		Carl W. Turnipseed[1]
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		Donald J. Kennedy	William H. Stone, Jr.	
CLEVELAND*	44101	A. William Reynolds	Jerry L. Jordan	
		G. Watts Humphrey, Jr.	Sandra Pianalto	
Cincinnati	45201	John N. Taylor, Jr.		Charles A. Cerino[1]
Pittsburgh	15230	Robert P. Bozzone		Harold J. Swart[1]
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		Claudine B. Malone	Walter A. Varvel	
Baltimore	21203	Michael R. Watson		William J. Tignanelli[1]
Charlotte	28230	James O. Roberson		Dan M. Bechter[1]
Culpeper	22701			Julius Malinowski, Jr.[2]
ATLANTA	30303	Leo Benatar	Robert P. Forrestal	
		Hugh M. Brown	Jack Guynn	Donald E. Nelson[1]
Birmingham	35283	Patricia B. Compton		Fred R. Herr[1]
Jacksonville	32231	Lana Jane Lewis-Brent		James D. Hawkins[1]
Miami	33152	Michael T. Wilson		James T. Curry III
Nashville	37203	James E. Dalton, Jr.		Melvyn K. Purcell
New Orleans	70161	Jo Ann Slaydon		Robert J. Musso
CHICAGO*	60690	Robert M. Healey	Michael H. Moskow	
		Richard G. Cline	William C. Conrad	
Detroit	48231	John D. Forsyth		Roby L. Sloan[1]
ST. LOUIS	63166	Robert H. Quenon	Thomas C. Melzer	
		John F. McDonnell	James R. Bowen	
Little Rock	72203	Janet M. Jones		Robert A. Hopkins
Louisville	40232	Daniel L. Ash		Howard Wells
Memphis	38101	Woods E. Eastland		John P. Baumgartner
MINNEAPOLIS	55480	Gerald A. Rauenhorst	Gary H. Stern	
		Jean D. Kinsey	Colleen K. Strand	
Helena	59601	Matthew J. Quinn		John D. Johnson
KANSAS CITY	64198	Herman Cain	Thomas M. Hoenig	
		A. Drue Jennings	Richard K. Rasdall	
Denver	80217	Sandra K. Woods		Kent M. Scott[1]
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		Roger R. Hemminghaus	Tony J. Salvaggio	
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1. Senior Vice President.
2. Assistant Vice President.