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Monetary Policy Report to the Congress

Report submitted to the Congress on July 18, 1990, pursuant to the Full Employment and Balanced Growth Act of 1978.[1]

MONETARY POLICY AND THE ECONOMIC OUTLOOK FOR 1990 AND 1991

The Federal Reserve delivered its initial Humphrey-Hawkins report of 1990 to the Congress in February, and the period since then has been an especially challenging one for monetary policy decisionmaking. The already difficult task of moving a quite fully employed economy toward price stability without contractionary mishap has been complicated by a variety of disturbances to business activity and financial markets—among them developments that distorted some of the basic indicators of the Federal Reserve's influence on the economic system.

On the whole, events in the economy have been broadly in line with the projections for 1990 contained in the February monetary policy report. Inflation has been somewhat greater on average than most members of the Federal Open Market Committee (FOMC) and other Reserve Bank presidents expected in February; however, this mainly reflected the influence of transitory factors early in the year, and price increases recently have been more moderate. Meanwhile, the economy has continued to expand, but apparently rather sluggishly overall since the winter.

While these aspects of the economic situation were important elements in the FOMC's review of its policy plans earlier this month, the Committee also gave careful attention to developments in financial markets. Although market interest rates had changed little on net since February, slow growth of the monetary stock and other evidence in hand pointed to a small but significant tightening of credit supplies. This implied greater effective restraint on aggregate demand in the months ahead than was thought desirable, and in the past week the System shifted to a slightly more accommodative stance in the provision of reserves to depository institutions. As a result, the overnight federal funds rate, which had fluctuated narrowly around 8¼ percent throughout the first half of the year, has declined to about 8 percent, and other market rates of interest also have eased a bit in recent days.

Developments Thus Far in 1990

In the early part of 1990, economic activity appeared to be regaining momentum, a development that reduced previous concerns about recessionary risks. At the same time, even discounting weather-related spurts in food and energy prices and an unusual bunching of price increases for some other items, there appeared to be no abatement in underlying inflationary pressures. Through the first quarter, M2 remained near the top of the annual range set by the FOMC, and although M3 was near the lower bound of its range, this weakness appeared consistent with the anticipated effects of the restructuring of the thrift industry.

The Federal Reserve maintained a steady pressure on reserve positions during the first quarter, rather than extending the sequence of easing steps that had fostered a drop in the federal funds rate of 1½ percentage points between June and December 1989. However, in keeping with the tenor of most of the economic data released during the quarter, other interest rates generally moved higher, particularly at the long end of the yield curve. This shift suggested that market participants had reevaluated the prospects for moderating inflation and a further easing of monetary policy. Early in the year, bond yields in the United States rose along with rates in Japan and Western Europe, as developments in Eastern Europe suggested a further spur to worldwide economic

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

activity, carrying the potential for greater inflation and heightened pressures on a limited international pool of savings.

In the second quarter, some of the weather-related increases in food and energy prices that had caused inflation to pick up earlier in the year were reversed, and price increases for many other goods and services moderated. Inflation trends remained in the range prevailing over the previous three years, though price pressures in the industrial sector gave signs of some easing. The incoming information pointed to a sluggish pace of economic expansion; most notably, growth in private sector employment slackened, consumer spending flattened, and real estate markets weakened. Moreover, advance indicators in some sectors—particularly durable goods orders and construction contracts—gave no evidence of a significant pickup in the second half. With the economy appearing somewhat less buoyant, over May and June bond yields in the United States retraced some of their earlier increases. Long-term rates in Japan and West Germany also declined, but by much less, with the result that yields in those countries have risen appreciably this year relative to those in the United States.

In foreign exchange markets, the dollar has depreciated somewhat on balance thus far this year, under the influence of a diverse set of economic, financial, and political developments around the world. The dollar has appreciated slightly in terms of the yen, while depreciating somewhat in terms of the German mark and other currencies of the European Monetary System exchange rate mechanism and somewhat more in terms of the Swiss franc and pound sterling.

The monetary aggregates flattened out during the second quarter, and by midyear M2 was in the lower half of its annual range, and M3 had fallen below the lower bound of its annual range. The weakness in the monetary aggregates mainly, though not wholly, reflected a rechannelling of credit flows away from depository institutions. Total borrowing by domestic nonfinancial sectors moderated only a little in the first half of 1990 from the pace of 1989, and growth in the aggregate debt of these sectors was in the middle of the FOMC's monitoring range. However, the proportion of lending accounted for by depositories was down substantially. Much of the decrease related to the shrinkage of savings and loan associations: Marginal institutions continued to retrench, and the Resolution Trust Corporation (RTC) transferred large volumes of assets to banks and onto its own books in the course of closing failed thrift institutions. Meanwhile, concerns about credit quality and pressures on capital positions led banks to adopt more cautious lending postures and to hold down asset growth.

The weakness in lending by depositories was reflected dramatically in the behavior of M3; this aggregate, encompassing managed liabilities as well as M2 deposits, comprises most of the liabilities used by these institutions to fund credit extensions. With depository credit damped, not only were managed liabilities weak, but banks and thrift institutions did not bid aggressively for retail funds—thereby contributing to reduced growth of M2. In addition, increases in expected returns on stocks and bonds may have restrained expansion of this aggregate, although some portion of the slowdown in M2 remains unexplained by changes in relative yields or income. The weakness in depository credit and the monetary aggregates likely has had, to date, only limited effects on spending: The bulk of the credit formerly supplied by depositories has been provided by other lenders, in part through the securities markets, with little change in the terms to most borrowers.

Monetary Objectives for 1990 and 1991

In reevaluating its ranges for money and credit for 1990 and in establishing tentative ranges for 1991, the FOMC had to take account of the redirection of credit flows away from depository institutions and the resulting effect on the growth of the financial aggregates relative to spending and prices. In February, the Committee expected that the continued shrinkage of the thrift industry would damp growth in M3; to take account of this, it lowered the M3 range for 1990 to 2½ to 6½ percent, 1 percentage point below the range set tentatively in July 1989. However, the contraction of thrift assets has been faster than anticipated, in part because of the step-up in RTC activity, and bank credit has expanded less rapidly. As a consequence, through June, M3 grew at an annual rate of only 1¼ percent from its fourth-quarter 1989 base.

Barring a marked slowdown in RTC activity or a significant strengthening in bank credit, M3 growth is likely to remain sluggish over the balance of the year. As in the first half, the weakness in M3 growth is expected to be associated with a further substantial increase in velocity—the ratio of nominal GNP to money—rather than with substantial restraint on overall credit supplies. Recognizing this unusual behavior of M3 velocity, the FOMC voted in early July to reduce the M3 range for 1990 to 1 to 5 percent. At the same time, the Committee reaffirmed its range of 5 to 9 percent for total growth in the debt of domestic nonfinancial sectors. The Committee seeks to ensure that credit will remain available in amounts and at terms compatible with moderate expansion of the economy, and it will continue to assess the implications of developments at depositories for credit conditions more generally.

As noted above, the contraction of the thrift industry and the moderate growth in bank credit also have affected the growth of M2, as potential inflows of retail deposits have outpaced the needs of depository institutions for such funds. The velocity of this aggregate has risen, unexpectedly, but less than that of M3: Growth of M2 from its fourth-quarter base through June was at a 3¾ percent annual rate, within its annual range, though in the lower half. M2 velocity is likely to increase further over the second half of the year; however, a substantial slowing of M2 could suggest more restraint than would be consistent with sustained upward momentum of the economy, and thus the Committee reaffirmed the established range for M2 growth for 1990.

In setting tentative ranges for 1991, the Committee faced more than the usual uncertainty about the growth of money that would foster its objectives of sustained expansion and a gradual abatement of inflation. Developments in credit markets will be shaped not only by the special factors that have altered patterns of intermediation thus far this year, but also by the outcome of the current deliberations regarding the federal budget. At this point, the forces that recently have diminished the role of depository credit seem likely to persist for some time, and they may foster further upward shifts in monetary velocities, albeit probably smaller ones than now appear in train for 1990. To be sure, though, subsequent events may dictate adjustments to the ranges next February, when they are reexamined in light of developments over the second half of this year.

For growth in M2, the Committee tentatively adopted a range of 2½ to 6½ percent—½ percentage point below the 1990 range. The adjustment is consistent with the Committee's intention to move over time toward the low trend rates of monetary expansion that would be consistent with price stability. At the same time, the range is expected to allow for sufficient expansion of money to sustain moderate growth in the economy. There may be some further upward shift in velocity, but the range should be wide enough to accommodate considerable variation in credit market conditions.

The range for growth of M3 was tentatively set at 1 to 5 percent, the same as that now in effect for 1990. Growth of this aggregate is especially sensitive to the pattern of credit flows. Thus, the continuing downsizing of the thrift industry is likely to result in slower growth of M3 than of M2 again next year, as managed liabilities in the broader aggregate run off. It also is likely to mean a substantial further increase in M3 velocity. Given that growth of this aggregate currently is running along the lower bound of the new range for 1990, even if the pace of credit flows at banks and thrift institutions were to pick up somewhat, M3 growth between 1 and 5 percent should be consistent with the Committee's basic objectives.

For debt, the FOMC adopted a tentative monitoring range of 4½ to 8½ percent, a half percentage point below the range for 1990. The Committee viewed slower growth of debt, more in line with the expansion of nominal income, as a healthy development for the economy. The rapid expansion of debt over the past decade, relative to the ability to service it, occasioned many of the difficulties with asset quality now facing our lending institutions.

Economic Projections for 1990 and 1991

The members of the FOMC and the Reserve Bank presidents not currently serving as members believe that the monetary ranges for 1990 and 1991 are consistent with achievement of sustainable economic growth and a reduction of inflation over time. Most of them expect that the pace of expansion will be moderate over the remainder of 1990 and through next year, with the central tendency of their forecasts of real GNP growth being 1½ to 2 percent over the four quarters of 1990 and 1¾ to 2½ percent over the course of 1991.

1. Ranges for growth
for monetary and credit aggregates
Percent change, fourth quarter to fourth quarter

Aggregate	1989	1990		Provisional ranges for 1991
		Adopted in February	Adopted in July	
M2	3 to 7	3 to 7	3 to 7	2½ to 6½
M3	3½ to 7½	2½ to 6½	1 to 5	1 to 5
Debt	6½ to 10½	5 to 9	5 to 9	4½ to 8½

Demand from abroad is likely to provide support for continued growth in U.S. production and employment. At current exchange rates, U.S. producers appear to be in a position to compete effectively in most international markets, and economic activity is growing relatively rapidly on average in other major industrial countries. In time, export demand should be bolstered by the shift toward more open, market-based economic systems in Eastern Europe; although the continental European nations may be most immediately affected by these developments, given the high rates of capacity utilization in those economies, the United States is likely to benefit both directly and indirectly from the increased demand for consumer and capital goods.

In the aggregate, demands from sectors outside of exports are unlikely to provide much impetus to manufacturing activity. Defense procurement is declining in real terms. And there is little prospect of a substantial resurgence in motor vehicle production: High levels of auto sales in the past several years appear to have satisfied demands that were pent up during the deep economic slump of the early 1980s. Demand for construction materials and equipment probably also will remain subdued, because building activity will be damped by the current overhang of vacant residential and commercial space. That overhang, more than any disruption of credit flows, explains the current weakness in construction, and, especially in the case of office building, it will take some time for existing space to be absorbed and to lay the base for a solid upturn in activity.

In sum, the growth of total output projected for 1990 and 1991 probably will involve rather slow gains for the goods-producing sectors of the economy. The service-producing industries are likely to continue to be the locus of important increases in output and, especially, employment. Demands for a wide range of services have remained robust thus far this year, and demographic trends suggest that such sectors as medical care and education will continue to experience appreciable growth.

The overall growth in economic activity forecast by the Board members and Bank presidents for the period ahead is expected to be consistent with a slight easing of pressures on resources and a diminution of inflation. With respect to the labor market, the central tendency of the forecasts for the civilian unemployment rate is 5½ to 5¾ percent in the fourth quarter of this year and 5½ to 6 percent in the final quarter of 1991; the jobless rate has fluctuated narrowly at a little below 5½ percent since late 1988. Moderate growth in demands on industrial capacity should be conducive to an extension of the recent more favorable trends in producer prices for intermediate and finished goods, which were, respectively, virtually unchanged and up just 3 percent in the past twelve months.

Inflation at the retail level also should be damped over the remainder of this year by favorable developments in the energy sector. Despite the very recent upturn in crude oil prices, gasoline prices are widely expected to decline in coming months, as the return of refinery output to normal levels alleviates the tightness that has characterized the product market. With inflation for other goods and services expected to remain below the first-quarter pace, the central tendency of the policymakers' forecasts of the overall consumer price index is for an increase of between 4½ and 5 percent over the four quarters of 1990—compared with the 5¾ percent annual rate of increase recorded during the first five months of the year. The lower trajectory of the consumer price index is projected to be sustained in 1991, with forecasts for the year centering on the 3¾ to 4½ percent range.

The Administration's economic projections, presented in connection with its mid-session update of the budget, indicate similar expectations about inflation trends but a more favorable outlook for real GNP. As a result, the Administration's projection of nominal GNP growth is somewhat above the central tendency of those of the FOMC participants, and might imply the need for faster monetary growth than is currently contemplated by the Committee. These differences must be regarded as small, however, relative to the degree of uncertainty that attaches to any prediction of the economy—and, in particular, of the short-run relation between growth in GNP and the money stock. More important, the

2. Economic projections for 1990 and 1991

Item and year	FOMC members and other FRB Presidents		Administration
	Range	Central tendency	
1990			
Percent change, fourth quarter to fourth quarter			
Nominal GNP	5 to 6½	5½ to 6½	6.8
Real GNP	1 to 2	1½ to 2	2.2
Consumer price index	4 to 5	4½ to 5	4.8[1]
Average level in the fourth quarter, percent			
Civilian unemployment rate	5½ to 6½	5½ to 5¾	5.6[2]
1991			
Percent change, fourth quarter to fourth quarter			
Nominal GNP	3½ to 7	5¼ to 6½	7.2
Real GNP	0 to 3	1¾ to 2½	2.9
Consumer price index	3½ to 5	3¾ to 4½	4.2[1]
Average level in the fourth quarter, percent			
Civilian unemployment rate	5¼ to 7	5½ to 6	5.6[2]

1. CPI for urban wage earners and clerical workers (CPI-W). FOMC forecasts are for CPI for all urban consumers (CPI-U).

2. Percentage of total labor force, including armed forces residing in the United States.

differences do not signal any basic inconsistency between the goals of the Federal Reserve and the Administration, for the Federal Reserve would welcome a more rapid expansion of output that occurred in the context of solid progress toward price stability.

The Performance of the Economy during the First Half of 1990

Activity in many sectors of the economy followed an erratic course during the first half of the year, in part because of transitory factors, such as last winter's unusual weather. On balance, production expanded further during the first half of 1990, but evidently no faster than the reduced pace of 1989. The comparatively slow rate of growth largely reflected weaker spending by domestic businesses and households, while merchandise exports apparently remained on a fairly strong growth path. Although job creation in the private sector of the economy has slowed this year, the civilian unemployment rate has remained near 5¼ percent, the lowest level in nearly twenty years.

Prices rose sharply early in the year, but the increases moderated this spring. In the first quarter, there were large weather-related surges in food and energy prices and a bunching of increases in prices of some other goods and services. Given the character of the spurt, most analysts—and policymakers in the Federal Reserve—judged that the runup in aggregate price indexes overstated underlying inflation trends. In the event, some of the transitory elements of the earlier spurt were reversed in the spring, and inflation moved down. Despite the recent slowing, however, the twelve-month change in the CPI as of May, at 4.4 percent, was about the same as that recorded for each of the past three years. In part, the persistence of inflation during a period of slower economic growth reflects continued cost pressures from relatively tight labor markets and weak productivity performance. However, there have been encouraging signs, particularly at the earlier stages of processing, that an easing of resource constraints in the manufacturing sector is reducing some of the pressures that had boosted prices from 1987 to early 1989.

The Household Sector

Total personal consumption expenditures were buffeted this winter by large swings in outlays for energy items and motor vehicles. Expenditures for home heating declined sharply in the first quarter as unseasonably warm temperatures in January and February followed a December that had been colder than usual. This influence was largely offset by a rise in motor vehicle sales. In late 1989 sales of cars and light trucks had been depressed by a scaling back of incentives and by large price increases for new model-year vehicles. Around the turn of the year, enriched incentive programs revived these sales. To date this year, sales of cars and light trucks have averaged 14 million units (annual rate)—a pace not far below the total for 1989—and seem largely to reflect replacement demand and growth in the driving age population.

Abstracting from the swings in outlays on home heating and motor vehicles, consumption spending appears to have stagnated this spring after posting a moderate gain in the first quarter of 1990. The recent sluggishness in spending reflects declines in outlays for a wide variety of consumer goods, including furniture and other household durables. In contrast, spending for services other than energy, especially medical services, continues to outpace real income growth.

Growth of consumption has slowed this year against a backdrop of somewhat smaller gains in real disposable personal income. But consumption has slowed even more than income, and the personal saving rate rose above 6 percent in the spring. Consumers may be spending more cautiously as they reassess their income and wealth prospects in light of the slower growth of the economy and a softening of residential property values in many parts of the country. These factors probably have been particularly important in the Northeast, where consumer sentiment has deteriorated markedly. However, other indicators, such as delinquency rates on consumer loans, do not reveal broad pressure on household finances. Nor are there signs that credit availability has been reduced: Federal Reserve surveys of bank lending officers suggest no change in the willingness to lend to consumers.

Residential investment spending also was affected by unusual weather patterns this winter. Housing starts were strong in the first two months of the year, as mild temperatures allowed builders to catch up on work delayed by cold weather in late 1989 and to begin projects that normally would have been started later in the year. Then starts slumped this spring, in part reflecting a "payback" for the winter activity. Averaging over this period, residential construction appears to have weakened; in the first five months of the year, housing starts totaled 1.36 million units (annual rate), somewhat below the pace of activity in 1989. By region, housing markets have been very weak in the Northeast, while homebuilding has been better maintained, albeit at moderate levels, in the North Central and Western regions of the country.

Both demand and supply factors have contributed to the recent weakness in housing construction. Sales of new and existing homes generally have been moving lower for more than a year; in part, demand may have been restrained by slower growth in income and reduced investment motivation for home purchase because of softening house prices. Demand also may have been tempered this spring by some edging up in mortgage rates. Since early May, however, mortgage rates have moved down about ½ percentage point, and there is no evidence that access to home loans has been curtailed.

On the supply side, building is being deterred in some parts of the country by an overhang of unsold or unrented housing units. In addition, it appears that a reduction in credit availability for construction may be playing some role in damping building activity. To a degree, this less favorable credit climate is attributable to the cutback in financing supplied by thrift institutions owing to the closure of savings and loans as well as the more stringent capital requirements and lending limits mandated by the Financial Institutions Reform, Recovery, and Enforcement Act. At the same time, other institutions do not appear to be filling the void completely. In part, the shift in credit availability reflects the elimination of the imprudently aggressive lending that capsized so many thrift institutions. A number of commercial banks also have recently experienced reductions in their lending capacity as they have written off, or reserved against, bad loans. But, in addition, the number of sound lending opportunities undoubtedly has shrunk as a consequence of economic weakness and soft property values in specific locales.

The Business Sector

The financial position of the business sector deteriorated further during the early part of 1990. Before-tax profits from current operations of nonfinancial corporations edged down in the first quarter after falling nearly 18 percent over the four quarters of 1989. Profits have been squeezed by a combination of marked increases in wages and benefits during a period of weak growth in productivity, competitive pressures from both home and abroad that have prevented firms from completely passing increases in labor costs through to prices, and higher debt-servicing costs associated in part with increased leverage.

Shrinking profits, which have reduced the availability of internal funds, along with the slower growth of final sales and easing of capacity pressures over the past year, have muted the demand for new plant and equipment. Reflecting these developments, real business fixed investment has decelerated considerably since the first half of 1989.

Although total real spending on producers' durable equipment rose at an annual rate of about 7 percent in the first quarter, spending was boosted by a rebound in outlays for motor vehicles and a resurgence in aircraft shipments after the settlement of the strike last November at Boeing. Excluding these transitory swings, real equipment spending slowed further in the first quarter, and shipments of most types of capital goods—especially industrial machinery—remained soft in April and May. One bright spot in the equipment picture, however, has been the growth in outlays for computers and other information-processing equipment, after some slowing during the second half of 1989.

Nonresidential construction was boosted by favorable weather early in the year, but most of the gain has since been reversed. The weakness is most evident in office and commercial real estate, for which vacancy rates are high, and data on contracts and permits suggest that the outlook for building remains decidedly negative. In some areas, this reflects sluggish growth in the regional economies. However, activity also may be hindered by the shift in the credit climate, as more speculative projects that previously might have been financed no longer qualify. An exception to the weakness in business construction has been in the industrial sector; lead times can be quite long for these projects, however, and much of the continued strength undoubtedly reflects in large part decisions made when capacity pressures were mounting in 1988 and early 1989. Indeed, contracts and permits for new industrial construction have been trending down for about a year.

The emergence of uncomfortably high inventories in some sectors in late 1989 led to corrective actions in the first part of this year. Most prominently, manufacturers of motor vehicles cut production sharply and reinstated widespread sales incentives to eliminate an overhang of stocks on dealer lots. In most other sectors, stocks have been trimmed or have been increased only modestly this year, and they appear to be in good alignment with sales trends. Among the possible exceptions are wholesale distributors of machinery and nonauto retailers, where some mild overhangs appear to have developed this spring; these could precipitate further adjustments, probably affecting both domestic and foreign producers.

The Government Sector

The federal budget deficit over the first eight months of the fiscal year was $152 billion, up from $113 billion in the year-earlier period. About $15 billion of this increase resulted from spending by the Resolution Trust Corporation, and further RTC outlays during June imply that the year-to-year increase in the deficit is likely to widen. Most of the RTC spending reflects financial transactions in which existing federal insurance obligations to thrift depositors are being recognized in the government's budget outlay and public debt accounts. The RTC's borrowing and spending thus should have little effect on real economic activity or interest rates.

However, several other budget components have contributed to the higher deficit. Spending on Medicare and other health care programs, and some discretionary spending for the space and other programs, has surged. During the same period, revenue growth has lagged as weak corporate profits have cut into receipts and last year's surprisingly large personal income tax collections have not been sustained. The latter suggests that some of last year's receipts reflected special factors, such as the deferral of tax liabilities in response to the phased reduction of income tax rates under the Tax Reform Act of 1986, and the capital gains realized during sharp movements in financial markets.

Federal purchases of goods and services, the part of expenditures that is included directly in GNP, fell in real terms over 1988 and 1989, owing mainly to declines in defense spending. Real defense purchases continued to move lower in the first quarter of 1990; however, the downtrend in total purchases was interrupted by a pickup in nondefense spending, mainly a transitory surge in space expenditures. In the second quarter, compensation for temporary Census workers added to federal purchases.

Real state and local government purchases increased at an annual rate of 4¼ percent in the first quarter, compared with the 3 to 3½ percent pace recorded over the past three years. Revenue growth generally has not kept up with gains in spending, however, and an increasing number of state and local governments face significant budgetary difficulties; indeed, the overall deficit of the sector (excluding social insurance funds) was about $45 billion (annual rate) in the first quarter of 1990, almost $11 billion greater than the deficit recorded in the 1989 calendar year. These difficulties are compounded by growing spending requirements in several important areas. An increase in the number of school-age children has boosted public school enrollments, the number of medicaid recipients has increased, and prison populations have risen rapidly. Meanwhile, legislatures have been reluctant to increase personal income taxes, and federal grants and increases in state excise taxes have failed to prevent the widening of the gap between spending and revenues.

The External Sector

Movements in the exchange rate have been smaller than those in 1989, when the dollar appreciated about 12 percent in terms of the other G-10 currencies over the first half of the year and then depreciated by a similar amount between last summer and this past February. The dollar appreciated approximately 2 percent between February and March this year but has since declined about 4 percent, partly in response to publication of weaker data on U.S. economic activity and the associated washing out of expected increases in interest rates.

While the value of the dollar has not changed dramatically on a trade-weighted average basis against the other G-10 currencies this year, there have been some divergences in bilateral exchange rates. On balance, the dollar has depreciated significantly against sterling and the Swiss franc, and somewhat less against the German mark and related currencies. In contrast, the dollar has appreciated against the yen, despite exchange market intervention by the Bank of Japan and other central banks to support the value of the yen early in the year. Against the currencies of our other major trading partners in the Pacific Basin, the dollar has depreciated against the Singapore dollar, but appreciated in terms of the South Korean won and the new Taiwan dollar.

Prices of non-oil imports, which fell at about a 3 percent annual rate between the first and third quarters of last year, rose at a similar pace between the third quarter of 1989 and the first quarter of 1990, partly in response to the drop in the dollar between last summer and the early part of this year. Prices of imported oil surged around the turn of the year, moving above $20 per barrel in January, but since then they have more than retraced this runup. On the export side, prices rose at an annual rate of just 1¾ percent in the first quarter of 1990 after recording little change, on balance, over 1989 as a whole. In the first quarter, prices for agricultural exports fell somewhat, but there was an acceleration in prices for exported consumer and capital goods that appears to have been related to some pickup in prices for these items in domestic markets around the turn of the year.

Merchandise exports continue to provide an important impetus to growth in the domestic economy, although the increases in exports have slowed somewhat from the very rapid advances recorded in the latter part of the 1980s. So far this year, exports have been boosted by strong shipments of aircraft with the rebound in activity at Boeing, as well as by notable increases in other classes of machinery, agricultural products, industrial supplies, and consumer goods. Two factors have contributed to further large gains in the quantity of U.S. exports: Many of our major trading partners abroad have continued to register strong economic growth, and the average dollar prices of U.S. exports have declined somewhat relative to average prices abroad. Movements in nominal exchange rates do not appear to have contributed significantly to either export growth or overall U.S. external adjustment in recent quarters; the effects of the large depreciation of the dollar through 1987 have waned, and any residual positive effects probably have been offset by the average strengthening of the dollar last year. However, the depreciation of the dollar since last summer should lend some stimulus to external adjustment in coming quarters.

Meanwhile, slower import growth has accompanied the slackening pace of activity in the United States. Total imports were boosted by a surge in oil imports in the first quarter, but, on balance, non-oil merchandise imports have edged down this year.

The slowdown in imports has been pronounced in automotive products and consumer goods, reflecting both weaker domestic final demands and the inventory adjustments in these sectors of the U.S. economy.

Together, the continued growth in exports and the slowdown in imports narrowed the merchandise trade balance to $105 billion at an annual rate in the first quarter of 1990, its lowest rate since early 1985. The current account deficit was reduced to $92 billion at an annual rate.

Net private capital inflows, and a large statistical discrepancy, provided the counterpart to the current account deficit in the first quarter of 1990, as they did for 1989 as a whole. Most of the private capital inflow in the first quarter came through the banking sector. Private foreign investors continued to acquire U.S. corporate bonds in the first quarter; however, they sold a small amount of U.S. Treasury securities, and they continued to sell U.S. corporate stocks as they have since last October. Foreign direct investment flows into the United States slowed markedly in the first quarter to a rate well below that recorded in recent years. Official capital showed a net outflow in the first quarter, as it did throughout most of 1989, reflecting the net sale of dollars in exchange market intervention.

Labor Markets

Job growth was strong early in the year, but has softened recently. In January and February, increases in nonfarm payroll employment averaged more than 350,000, fueled by large increases in service-producing industries as well as by robust hiring in construction during the warmer than normal winter weather. Since March, however, job growth has averaged about 125,000 per month, despite the net addition of about 300,000 temporary workers to help carry out the 1990 Census; private payrolls have increased less than 20,000 per month. Manufacturing employment has continued to shrink this year at about the same rate as in the second half of 1989, and construction payrolls also have declined since the winter. Meanwhile, job growth in the service-producing industries has slowed in recent months. Although hiring gains have continued strong for health services, growth in jobs in business services has moderated, and there have been only small gains in employment at retail establishments.

Growth in the labor force also has been subdued in recent months. To an extent, this reflects longer-run demographic trends; but it may also reflect a tendency for fewer people to seek jobs when the growth of employment opportunities is perceived to have slackened. Survey data suggest that individuals have increasingly viewed jobs as harder to find.

The slower rates of growth in employment and the labor force have been roughly matching, and the civilian unemployment rate has remained near 5¼ percent throughout the year. While unemployment rates have risen noticeably in the Northeast and moved up in some Midwestern states, jobless rates in other regions of the country either have changed little or have edged down.

With labor markets remaining relatively tight by historical standards, pressures on labor costs have not abated. Although the rate of increase in straight-time wages has changed little over the past year and a half, benefit costs, which currently constitute roughly one-fourth of compensation, have picked up markedly. In part, this increase reflected the higher social security taxes that went into effect in January, but benefits also have been boosted by the continued rise of health insurance costs and an acceleration of lump-sum payments and bonuses. All told, employee compensation in private nonfarm industry rose 5¼ percent over the twelve months ended in March, a bit above the pace recorded in the year ended last December.

In addition to gains in hourly compensation, unit labor costs have been boosted by a poor performance in labor productivity, as output per hour in the nonfarm business sector rose just ¼ percent between the first quarter of 1989 and the first quarter of 1990. While productivity has remained strong in the manufacturing sector, rising almost 5 percent at an annual rate in the first quarter, productivity performance outside of manufacturing has been quite weak. As a consequence, unit labor costs in the first quarter of 1990 were 5 percent above their level a year earlier, about the same increase as recorded over 1989 as a whole, but well above the rates that prevailed earlier in the expansion.

Price Developments

After surging in the first quarter of 1990, price increases moderated this spring. Food and energy prices were boosted early in the year by weather-related developments, and prices for a wide range of other goods and services also picked up sharply. However, by May, the transitory effects of the weather on inflation largely had been reversed, and price increases for many other items slowed significantly.

Energy prices surged this past winter, as a result of demand pressures from the unseasonably cold weather in December and supply disruptions at U.S. refineries and in Eastern Europe. The posted price of West Texas Intermediate (WTI) oil, the benchmark for U.S. crude prices, rose about $3 per barrel to a peak of $22 in January. Since early February, on balance, the posted price for WTI has moved down substantially, in large part reflecting the effects on crude markets of increased output by OPEC nations. Movements in energy prices at the consumer level normally follow developments in crude oil prices. Gasoline prices, however, remain higher than in December. In part, pump prices have been boosted by the additional costs to refiners of complying with environmental standards. In addition, inventories of gasoline were relatively low during the first half of the year as a result of a variety of supply disruptions at refineries.

Overall, consumer food prices were boosted by sharp increases in prices for fresh fruits and vegetables after the freeze in December, but during the spring these prices retraced most of their earlier climb. The prices for other foods for home consumption have continued on an upward course. In addition, the prices of foods and beverages purchased at restaurants have risen at a 6 percent annual rate so far this year, about 1½ percentage points above the average rate of increase over the past two years; these prices probably have reflected a dwindling supply of entry-level workers and related increases in labor costs, and perhaps in some regions by the higher federal minimum wage.

The CPI excluding food and energy rose about 4¾ percent over the twelve months ending in May, near the upper end of the range experienced during the current expansion. Price increases for consumer goods, particularly apparel, rose sharply early in the year. However, the burst in prices did not carry through to the second quarter, as prices for commodities excluding food and energy changed little in April and May.

In the service sector, inflation rose markedly in the first quarter, in part reflecting some bunching of increases for items whose prices tend to change in irregular jumps, such as public transportation fares and auto registration fees. Although inflation in service prices moderated in the spring, there was little retracing of the earlier increases; indeed, in May, the CPI for nonenergy services was 5½ percent above its level twelve months earlier, the upper end of the range of increases seen over the past three and a half years. As in 1989, increases in prices of rents and medical services contributed importantly to the rise in overall service prices so far this year. However, there also have been widespread pickups in prices for a variety of labor-intensive services, and it is likely that, in addition to strong consumer demands, higher labor costs have boosted service prices.

The signs of moderating inflation for goods at earlier stages of processing, which had surfaced as capacity utilization rates moved down during 1989, appear to have continued into 1990. After rising 4¼ percent in 1989, the producer price index for finished goods excluding food and energy has increased at an annual rate of about 3¾ percent during the first six months of 1990. Producer prices for intermediate materials excluding food and energy increased at an annual rate of just ¾ percent between December and June, roughly the same rate of increase as recorded over 1989 as a whole. The moderation of inflation for goods at the producer level is perhaps one indication that earlier moves toward monetary restraint and the slower pace of economic activity have worked to ease the resource constraints that had pushed up materials prices between 1987 and early 1989.

Monetary and Financial Developments during the First Half of 1990

Shifts in financial intermediation and credit flows, stemming from the continued restructuring of the thrift industry and a more cautious attitude of banks toward certain credit extensions, exerted a major influence on the monetary aggregates and their relation to economic activity during the first half of 1990. In anticipation of further contraction in the thrift industry, and its associated effects on depository intermediation, the Committee reduced the annual growth range for M3 by a full percentage point in February. In the event, M3 has slowed even more dramatically than had been anticipated, leaving this aggregate below the lower bound of its reduced range. Not only has the thrift industry contracted more rapidly than expected, but commercial banks have picked up little of the lending forgone by thrift institutions and, in fact, have curtailed their own lending in some sectors, thus further depressing depository credit. With little need to fund asset growth, banks and thrift institutions have pursued retail deposits less aggressively, leading to the opening of a sizable gap between yields available in the open market and those on such deposits. Partly as a result, M2 also has slowed, moving down into the lower portion of its annual growth range.

The deceleration of the monetary aggregates mainly reflects a reduction in the share of credit provided by depositories, rather than a sharp slowing of income or total credit flows. The velocities of both M2 and M3 posted sizable increases, particularly in the second quarter. Total debt of domestic nonfinancial sectors grew at an annual rate of 7 percent over the first half of the year—down only slightly from its pace in the latter half of 1989 and in the middle of its monitoring range. However, growth of total debt was boosted by federal government borrowing to support thrift resolutions; the debt of nonfederal sectors grew somewhat less rapidly than it did last year. Uncertainty about the effects of the restructuring of credit flows, and about the reasons for the extent of the slowdown in money growth, underlined the need for the FOMC to assess the behavior of the aggregates in light of information on spending and prices and the likely course of monetary velocities.

The somewhat more cautious lending posture that commercial banks have recently adopted is mainly a response to heightened credit risks caused by the more moderate pace of economic expansion overall and a downturn in several sectors. The resulting loan write-offs and pressures on capital positions may also have induced some tightening of standards. Growing markets for securitized loans largely have filled the vacuum created by the retrenchment of thrift institutions in the area of mortgage lending, with little attendant effect on the cost or availability of residential mortgage credit to households. Both banks and thrift institutions have cut back on other types of lending that can less easily be rechannelled, however, including construction and nonresidential real estate loans, loans to highly leveraged borrowers, and loans to small and medium-sized businesses. To offset tighter credit market conditions, which could exert undue restraint on aggregate demand, the Federal Reserve has recently adopted a slightly more accommodative stance with regard to reserve provision, fostering a small decline in market interest rates.

The Implementation of Monetary Policy

The FOMC maintained a steady degree of pressure in reserve markets during the first six months of the year. Policy had been eased in the second half of 1989 amid concerns that the economic slowdown might cumulate and thereby threaten the expansion. In the first half of 1990, however, the Committee viewed the balance of evidence as suggesting that underlying trends were generally consistent with its objectives of sustaining economic growth while containing and eventually reducing inflationary pressures.

In the opening months of the year, incoming information on spending and prices caused markets to reevaluate the prospects for a near-term reduction of inflationary pressures and further easing of monetary policy. As a result, market interest rates rose, despite a steady federal funds rate. The rise was most pronounced at the longer end of the maturity spectrum, and it restored the usual upward tilt to the yield curve that had been absent much of last year. Developments in Eastern Europe, which portended increases in demands on the world's limited pool of savings, also contributed to increases in long-term rates in the United States and abroad. By late April, market participants expected a near-term tightening of U.S. monetary policy.

In early May, the pendulum of market opinion began to swing away from the view that a tightening of U.S. monetary policy was in the offing. Beginning with a lackluster employment report on May 4, economic data have pointed to a somewhat slower pace of activity and reduced price pressures. In addition, a pronounced slowdown in the monetary aggregates began in April, followed by outright declines in May. Although both M2 and M3 recovered a little in June, they remained below the midpoint and the lower bound respectively of their annual ranges at midyear. Evidence also suggested that restricted credit availability, in part the result of tightened credit standards, may have spread beyond commercial real estate, construction, and merger-related lending. In response to this firming of credit conditions, the Federal Reserve began providing reserves slightly more generously through open market operations in mid-July.

Market interest rates, which already had receded somewhat from their early spring highs, declined further with the Federal Reserve's recent easing, though intermediate and long-term rates remained above the levels seen last December. Lower interest rates also bolstered the stock market, and some share price indexes reached record highs this month.

Spreads between high-quality private instruments and Treasury issues narrowed slightly over the first half of 1989. This narrowing reflected the continued availability of funds for investment-grade borrowing as well as increases in the borrowing needs of the RTC, which are met partly through the Treasury. The pickup in Treasury borrowing for the RTC was necessitated by the faster pace of thrift resolutions, which require the government to carry thrift assets on its own balance sheet pending their disposition. The market for investment-grade issues continued to function reasonably well, with stable rate spreads between quality tiers and generally well-maintained issuance volumes. On average, however, the business sector faced somewhat higher borrowing costs, largely as the result of numerous downgradings of debt issues. The collapse of Drexel Burnham Lambert had a marginal impact on an already debilitated market for below-investment-grade issues, widening spreads somewhat more between yields on such bonds and those on other long-term securities.

Monetary and Credit Flows

Growth of the monetary aggregates was sluggish over the first half of 1990, with M2 and M3 expanding at annual rates of only 3½ percent and 1¼ percent respectively from the fourth quarter of 1989 through June. The weakness in money growth primarily reflected a redirection of credit extensions away from depository institutions owing to the continued downsizing of the thrift industry and a more cautious lending posture of commercial banks.

The deceleration of M2 growth did not begin until the second quarter of 1990, when growth slowed to a 2¼ percent annual rate from the 6 to 7 percent range seen in the previous three quarters. Retail deposits (which include NOW accounts as well as savings, small time deposits, and similar instruments) had begun to decelerate in the first quarter, slowing to a pace of less than 4 percent from the 5¾ percent rate seen in the fourth quarter of 1989. The effects of this slowdown on M2 were partially masked, however, by a surge in currency growth—apparently owing in part to increased demand from overseas—and a bulge in some of M2's wholesale components, mainly overnight RPs and Eurodollars. By the second quarter, a steep runoff in retail money market mutual fund (MMMF) shares and a sharp decline in demand deposits reinforced weakness in core deposits in damping growth in aggregate M2.

Increases in the opportunity costs of holding M2 balances—that is, the rise in other interest rates relative to those on M2—retarded growth in this aggregate during the first half of the year. This was particularly evident for retail MMMFs. Through much of 1989, the yield curve was inverted, and MMMFs, whose portfolios typically average about 30 to 40 days in maturity, had historically large yield advantages relative to longer-term Treasury bills and short-dated Treasury notes. As a result, MMMFs expanded briskly. As the yield curve began to flatten toward year-end, flows into MMMFs ebbed, though they remained a key element of overall M2 growth. With the steepening of the yield curve in the early part of 1990, MMMF growth stopped in March. The recent rally in the stock market also may have depressed MMMFs, as data through May indicate strong inflows to equity mutual funds, a substantial portion of which may have been transferred from MMMFs.

When yield curves have become more steeply upward sloping in the past, the effect on M2 of weakness in MMMFs and other liquid balances often has been partially offset by strength in retail time deposits, as households lengthen the maturity of their assets. This year, however, retail certificate of deposit (CD) rates were unusually slow to respond to the rise in market rates through April, contributing to unexpected weakness in M2. The reluctance of banks to raise deposit rates in response to rising market rates was particularly evident in the intermediate-term area where, for example, the rise of 100 basis points in the yield on the three-year Treasury note during the first four months of the

3. Growth of money and debt

Percent change

Period	M1	M2	M3	Debt of domestic nonfinancial sectors
Fourth quarter to fourth quarter				
1980	7.4	8.9	9.5	9.5
1981	5.4 (2.5)[1]	9.3	12.3	10.2
1982	8.8	9.1	9.9	9.1
1983	10.4	12.2	9.8	11.2
1984	5.4	7.9	10.6	14.2
1985	12.0	8.9	7.8	13.1
1986	15.5	9.3	9.1	13.2
1987	6.3	4.3	5.8	9.9
1988	4.3	5.2	6.3	9.1
1989	.6	4.5	3.3	8.1
Quarterly growth rates (annual rates)				
1990: 1	4.8	6.0	2.7	6.9
2	3.6	2.3	.4	7.0[e]
Semiannual growth rates (annual rates)				
1990: 1	4.2	4.2	1.6	7.0

1. Figure in parentheses is adjusted for shifts to NOW accounts in 1981.

e Estimated.

year elicited an increase of less than 20 basis points in rates on bank retail CDs of comparable maturity. Evidence of the rising opportunity cost of holding M2 can be seen in the unusually heavy volume of noncompetitive tenders in Treasury bill and note auctions, which suggest a shift out of M2 balances.

The unwillingness of banks to price their deposits as aggressively as in the past is partly an indirect result of the contraction of the thrift industry. During the first six months of 1990, commercial banks enjoyed $62 billion in retail deposit inflows—about a 10 percent increase at an annual rate—while thrift institutions were shedding $28 billion in retail deposits—about a 5 percent annual rate of contraction. Much of this deflection of deposits toward commercial banks was the direct result of RTC resolutions. In the first half of the year, the RTC resolved 170 thrift institutions holding $32 billion of nonbrokered retail deposits, much of which was immediately assumed by commercial banks.

Although deposit transfers do not directly depress M2, they may have contributed to the weakness in this aggregate by reducing banks' need to raise their offering rates to attract additional deposits at a time when growth in bank credit was slow. Through the first half of 1990, commercial banks were able to fund nearly 80 percent of their total credit growth with retail deposits—almost double the proportion seen in recent years—even though they allowed spreads between market rates and their retail offering rates to widen substantially.

Widening opportunity costs of holding M2 can explain only some of the moderation in this aggregate in the first half of 1990, however. M2 may also have been responding to slower spending, and other factors, some of which may have been associated with deposit restructuring under the RTC. Brokered deposits formerly attracted to thrift institutions by relatively high yields may have been particularly sensitive to the recent sluggishness in deposit pricing; about $7 billion of brokered deposits were held at thrift institutions that were resolved in the first six months of the year, and many of these high-rate contracts were subsequently abrogated or not rolled over by the acquiring institutions. Evidence also suggests that, in light of large deposit inflows from thrift institutions, banks have curtailed marketing and promotional activity designed to attract retail deposits. Finally, the issuance of short-term Treasury paper to fund RTC holdings of former thrift assets has boosted the supply of, and raised the rates on, a close M2 substitute just when depositories were becoming less aggressive in seeking retail deposits. The rise in opportunity costs and these other factors contributed to an increase in the velocity of M2 in the first half of 1990, though some of this increase remains difficult to explain.

The link between changes in depository intermediation and M3 is somewhat more direct. This aggregate encompasses managed liabilities, as well as deposits and other sources of funds in M2, and is thus a better barometer of the overall funding needs of banks and thrift institutions. As has been evident since last summer, the contraction of the thrift industry and the failure of banks fully to pick up the slack have already resulted in a significant slowdown in growth of depository credit relative to that of aggregate nonfinancial sector debt and a concomitant increase in M3 velocity. This trend continued into the first half of 1990, as growth in depository credit all but ceased – though overall debt growth continued at a moderate pace – and M3 fell well below the lower bound of its annual growth cone.

Although the FOMC foresaw some significant damping effects on M3 growth in 1990 in association with the continued shrinkage of the thrift industry, the actual weakness in M3 so far this year has been more pronounced than anticipated. In setting out its expectations for M3 in 1990, the Committee recognized that considerable uncertainties surrounded the thrift industry contraction in terms of the pace of RTC resolutions, the extent of asset shrinkage at capital-impaired thrift institutions, and the desire of commercial banks to step into the breach. To this point, a faster-than-expected shrinkage of thrift assets has been manifested not only in weaker M2 deposit inflows, but also in faster runoffs of large time deposits and other M3 managed liabilities at thrift institutions. In addition, commercial banks apparently have filled less of the void left by thrift institutions than was originally anticipated. As a result, they too have pared their M3 managed liabilities, further depressing this aggregate.

Rates on large time deposits, like those on retail deposits, have remained low relative to yields on Treasury bills. Facing a substantial deterioration in the quality of their assets and constraints on capital, banks apparently have attempted to bolster profit margins and have not aggressively pursued new lending opportunities. Not only have deposit rates been held down, but loan rates also appear to have been raised slightly relative to market rates and nonprice terms have tightened for certain types of credits.

The pullback in credit supplies, together with some leveling out of demands for credit, likely contributed to a deceleration of bank asset growth. Over the second quarter, growth of bank credit slowed to a 5¾ percent pace from the near 7 percent rate of growth seen over the first quarter of 1990 and the second half of 1989, with much of the deceleration centered in real estate and consumer lending. Although the slowdown in real estate lending has been especially pronounced in New England, this type of lending remains sluggish in several other regions as well. Some of the deceleration in consumer lending represents sales of loans by banks attempting to bolster capital–asset ratios. Even adjusted for these sales, however, growth of consumer loans at banks slowed further in the second quarter from an already reduced first-quarter pace. The weakness in consumer borrowing this year is due primarily to sluggish retail sales, particularly of automobiles and other durable goods; banks evidently have remained willing lenders to households, and interest rates on consumer loans have changed little.

Bank lending to businesses also has been depressed this year. Surveys of commercial bank lending officers through early May suggest that the slowdown in bank credit largely reflects diminished demand for credit and deteriorating conditions in the real estate market, although tighter lending terms and more stringent credit standards were frequently cited for borrowers below investment grade, including many small businesses. Banks seem to have raised lending rates somewhat to small firms, judging from the slight increase in the spread between rates on small business loans and on federal funds. Separate surveys in which small businesses were queried about general credit availability have pointed to some recent increases in the difficulty these firms face in obtaining credit, though on balance they found credit availability little changed from mid-1989. The slowdown in bank business lending this year has mainly reflected reduced merger activity. Bank retrenchment in this area is consistent with other private credit judgments, as evidenced by the major slump in the market for bonds below investment grade.

The reduced volume of corporate restructurings, coupled with a diminished household demand for credit, has slowed the growth of the aggregate debt of domestic nonfinancial sectors to a 7 percent annual rate from the fourth quarter of 1989 through May of this year, compared with the 8 percent rate seen last year. Debt growth is currently in the middle of its monitoring range and broadly consistent with growth in nominal GNP. With the increasing leverage and the attendant dramatic declines in debt velocity witnessed in the 1980s apparently ending, the Committee reduced the

1990 monitoring range for debt by 1½ percentage points in February.

Debt growth decelerated in the first half of the year despite a spike in U.S. government borrowing, which owed primarily to the growing working capital needs of the RTC. RTC spending, net of capital raised off-budget by the Resolution Funding Corporation, jumped to $31 billion in the second quarter, up from the $4 billion to $5 billion levels of the previous two quarters. This spending is financed through the Treasury and is therefore included in the debt aggregate.

The pace of household borrowing slowed considerably in the first six months of 1990, reflecting decelerations in both mortgage and consumer credit. The recent slowing of home mortgage borrowing appears to be largely the result of reduced demand, owing to increases in interest rates earlier in the year and weakening economic activity in some regions of the country. Although banks have picked up only some of the slack for thrift institutions in the area of mortgage lending, the expanding market for securitized mortgages has facilitated an orderly flow of mortgage credit. In fact, spreads of mortgage-backed securities over comparable Treasury issues remain low by historical standards and rates on home loans have not risen noticeably relative to other long-term rates.

Consistent with households' sluggish spending, overall consumer installment credit has risen at a 2¾ percent rate from the fourth quarter of 1989 through May of this year, well below the 5½ percent clip in 1989. Some of this deceleration reflects substitution of home equity loans for previously existing consumer indebtedness; households apparently continue to recognize the lower relative after-tax cost of mortgage debt since the 1986 tax reform, which phased out the interest deductibility of nonmortgage household indebtedness. The slowdown in consumer loans on the books of depositories has been even more pronounced, reflecting a marked pickup in securitizations. The trend toward securitization of consumer loans, which has been evident in the past few years, appears to have accelerated in 1990, possibly because depositories are making efforts to reduce assets in order to meet the new risk-based capital requirements.

Through the first half of the year, the total borrowing of nonfinancial firms has been maintained at about the same pace as in the last half of 1989, despite a sharp drop in equity retirements. Although business lending by banks has slowed, commercial paper issuance picked up the slack, particularly in the first few months of the year. More recently, in light of declines in bond yields, firms have stepped up their issuance of bonds and slowed their use of commercial paper. Despite a recent slight narrowing of spreads relative to investment-grade securities, issuance of below-investment-grade bonds has remained in the doldrums. Spreads between investment-grade paper and Treasury issues are still low by historical standards, held down in part by supply pressures in the Treasury market.

In the municipal market, the increase in market interest rates and the downgradings of a number of key issuers during the first half of 1990 combined to slow refunding issuance to a crawl. As a result, the total debt of state and local governments expanded at only an annual rate of 3 percent in the second quarter, compared with 4½ percent in 1989. □

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STUDY SUMMARY

BANKING MARKETS AND THE USE OF FINANCIAL SERVICES BY SMALL AND MEDIUM-SIZED BUSINESSES

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Prepared as a staff study in the spring of 1990

The definition of the geographic area and the services that constitute a particular market for financial services has been a longstanding and contentious issue in the antitrust analysis of proposed bank mergers and acquisitions. The definition has generally relied on Supreme Court decisions dating from the 1960s and early 1970s. Given the deregulation and financial innovations of recent years, however, the definition derived from those decisions may be based on outdated perceptions and data.

As part of a review of its approach to market definition in antitrust analysis, the Board of Governors commissioned a survey of businesses to learn more about the use of financial services. This survey, sponsored jointly with the Small Business Administration, is the National Survey of Small Business Finances, a nationally representative sample of 3,405 firms that encompasses small (0–49 employees) and medium-sized (50–499 employees) for-profit, nonagricultural, nonfinancial enterprises.

The survey sample represents the population of small and medium-sized firms more accurately and covers their use of financial services and financial institutions more thoroughly than any other survey to date. This paper, the first report of findings from the business survey, uses the data to investigate the range of services, institutions, and distances over which small and medium-sized firms handle their financial affairs and assesses the implications of the data for the definition of financial service markets.

The current approach to market definition holds that the costs of information and transportation incurred by customers searching for, and using, distant or specialized institutions are large, as are the information costs incurred by a financial institution in evaluating a nonlocal business seeking credit; hence, on this view, financial services in the main are offered by, and obtained from, local commercial banks. A contrary argument holds that the degree to which deregulation and advances in telecommunications in recent years have lowered the costs of information and of travel has been sufficient to widen the range of institutions and distances over which firms select their financial services.

The study follows primarily a demand approach to market definition, the premise of which is that current consumption patterns generally delineate market boundaries. The study enhances the demand-side approach by linking consumption data to the characteristics of the businesses' local areas, such as the local depository institution structure. The study also uses information from the survey on each firm's search for financial services and information on solicitations of small and medium-sized businesses by financial institutions.

This study's analysis of the survey data shows that financial services markets for small and medium-sized businesses are generally limited to local commercial banks and, to a somewhat lesser extent, to local thrift institutions. For specialized financial services associated with the financing of vehicles and equipment, the economic markets are wider, both in geographic extent and in the types of institutions participating.

Overwhelmingly, the single most important financial institution for nearly every financial product and service used by small and medium-sized businesses is a local commercial bank. Almost all firms consider a local commercial bank to be their primary institution and tend to group their purchase of financial services there around the checking account; on average, firms use 2.29 products from their checking institution but only 1.08 products from institutions supplying services other than checking.

Local thrift institutions provide traditional bank services to some firms; the 6.3 percent of firms that consider a thrift institution to be their primary financial institution use it for multiple services, the way others use commercial banks. These findings support the Board's current approach of considering thrift competition as specific circumstances warrant in antitrust analysis of bank mergers.

Firms rarely consider nondepository institutions to be their primary financial institution; they tend to use them for single, often specialized, financial products such as financial leases and brokerage services.

The geographic dispersion of financial institutions is generally smallest for those products associated with high transaction costs. For example, more than 75 percent of the institutions providing checking accounts, transaction services, or cash management services are located within five miles of the firm. Nonlocal suppliers are relatively more important sources for brokerage, leases, motor vehicle loans, and equipment loans. The geographic dispersion of leasing institutions used by firms is the widest—the 75th percentile of such institutions is located 260 miles from the firm. Even for these products, however, the majority of firms that use them obtain them from local suppliers.

Businesses are most often induced to find substitutes in nonlocal areas and thereby to incur greater transaction costs when local markets are concentrated and thus presumably have higher prices than unconcentrated markets. Otherwise they tend to obtain financial services locally. The findings regarding the economic markets for long-term leases and motor vehicle and equipment loans suggest that nonbank and nonlocal financial institutions should be considered when judging the competitive effect of bank holding company acquisitions of nonbank subsidiaries that offer these specialized services.

Industrial Production and Capacity Utilization

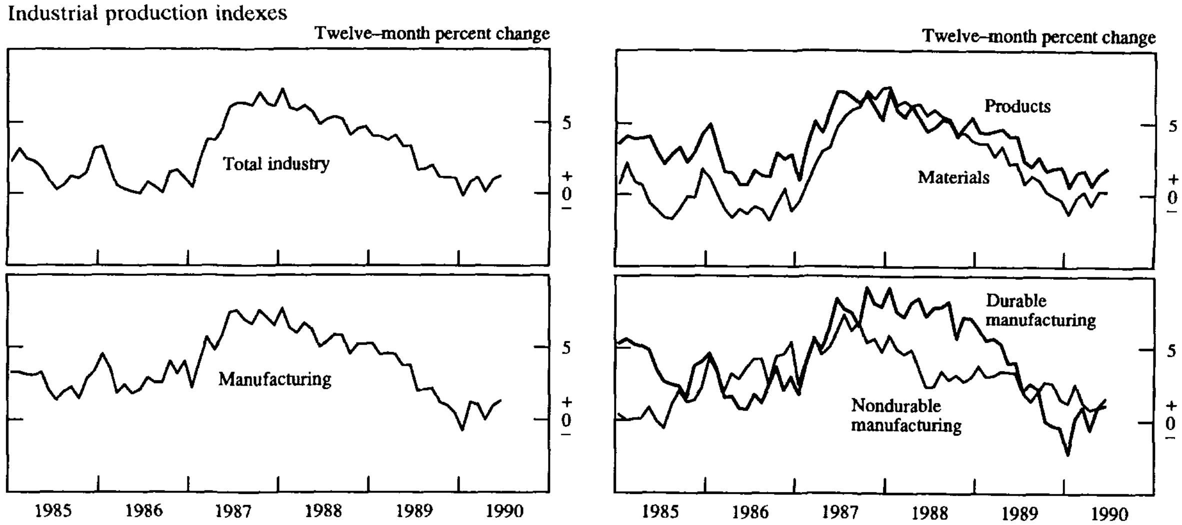
Released for publication on July 17

Industrial production increased 0.4 percent in June following an advance of 0.6 percent in May; in addition, estimates for March and April were revised down slightly. Capacity utilization, meanwhile, rose 0.2 percentage point in June to 83.5 percent.

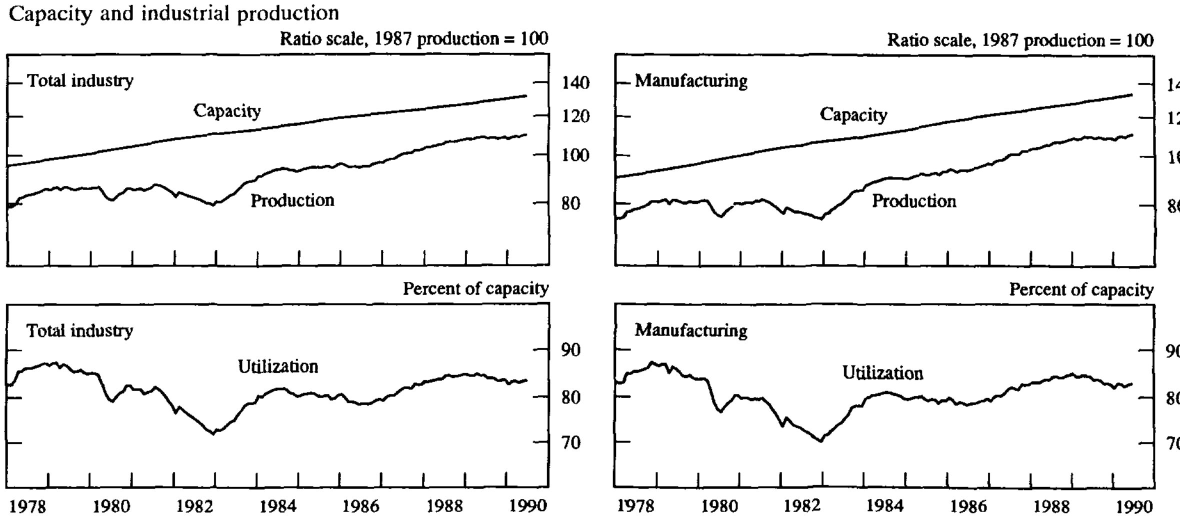
In June, the output of motor vehicles and parts rose substantially, and the extremely hot weather pushed up utility output. Combined, these increases accounted for three-fourths of the June increase. The total index has grown 1.2 percent during the past year to 109.8 percent of its 1987 annual average.

In market groups, as in May, the increase in

Industrial production indexes



Capacity and industrial production



All series are seasonally adjusted. Latest series, June.

the output of motor vehicles and parts contributed significantly to last month's gains in the indexes for durable consumer goods, business equipment, and durable goods materials. Production of consumer goods other than autos and trucks posted a small increase in June. The most notable increases occurred in electricity for residential use, appliances, and gasoline; production of clothing and food weakened. Output of business equipment excluding motor vehicles was up 0.5 percent in June; for the second quarter as a whole, sizable increases were posted for most major categories of these items.

Output of construction supplies fell sharply again last month and was about 2½ percent below the February level, which was the series' most recent high. The production of durable and nondurable materials rose in June, owing, in part, to gains in chemicals and metals. Output of energy materials fell sharply as a decline in coal mining and a reduction in output of crude oil stemming from Alaskan oil field and pipeline repairs more than offset the increase in electricity generation.

In industry groups, manufacturing output rose 0.5 percent in June, bringing the factory operating rate up 0.2 percentage point to 82.9 percent. In the second quarter, manufacturing output grew almost 3½ percent at an annual rate; excluding motor vehicles and parts, production advanced about 1 percent in the second quarter.

Output rose about ½ of 1 percent in both durable and nondurable manufacturing industries in June. The growth in durables resulted, in part, from the gains in motor vehicles and parts, while the increase for nondurables stemmed from moderate advances in many industries. More of the overall increase in manufacturing output came in primary rather than advanced processing industries. The operating rate for primary processing rose 0.3 percentage point in June on the strength of gains in petroleum, chemicals, paper, primary metals, and textiles.

Output at mines fell 1.5 percent in June be-

Industrial production	1987 = 100				Percentage change from preceding month				Percentage change, June 1989 to June 1990
	1990				1990				
	Mar.^{r}	Apr.^{r}	May^r	June^p	Mar.^{r}	Apr.^{r}	May^r	June^p	
Total index	**108.9**	**108.7**	**109.3**	**109.8**	**.4**	**−.2**	**.6**	**.4**	**1.2**
Previous estimates	109.0	109.0	109.7	...	.5	.0	.6	...	...
Major market groups									
Products, total	**110.7**	**110.2**	**111.2**	**112.0**	**.9**	**−.4**	**.9**	**.7**	**2.0**
Consumer goods	107.5	106.9	107.5	108.2	.5	−.5	.5	.7	1.8
Business equipment	122.2	121.4	123.4	124.6	1.8	−.6	1.6	.9	2.6
Construction supplies	107.3	106.5	106.0	105.5	-.8	−.8	−.5	−.5	.6
Materials	107.1	107.2	107.6	107.8	.0	.1	.3	.2	.2
Major industry groups									
Manufacturing	109.8	109.3	110.2	110.7	.2	−.4	.8	.5	1.3
Durable	111.9	110.9	112.4	113.0	1.1	−.9	1.3	.5	1.1
Nondurable	107.2	107.3	107.4	107.8	−1.0	.1	.1	.4	1.6
Mining	101.1	103.3	102.6	101.0	.2	2.2	−.7	−1.5	.6
Utilities	106.2	106.2	106.9	109.2	2.2	−.0	.7	2.1	2.7

Capacity utilization	Percent of capacity								Capacity growth, June 1989 to June 1990
	Average, 1967–89	Low, 1982	High, 1988–89	1989	1990				
				June	Mar.	Apr.	May	June^p	
Total industry	**82.2**	**71.8**	**85.0**	**84.6**	**83.4**	**83.0**	**83.3**	**83.5**	**2.6**
Manufacturing	81.5	70.0	85.1	84.4	82.9	82.3	82.7	82.9	3.1
Advanced processing	81.1	71.4	83.6	83.2	82.0	81.3	81.9	82.0	3.3
Primary processing	82.3	66.8	89.0	87.0	85.2	84.9	84.9	85.2	2.4
Mining	87.3	80.6	87.2	85.8	87.5	89.6	89.1	87.8	−1.6
Utilities	86.8	76.2	92.3	84.8	84.2	84.1	84.6	86.3	.9

NOTE. Indexes are seasonally adjusted.

cause of reduced output of coal and crude oil, while production at utilities rose 2.1 percent in response to the extremely hot weather. The increase in output at utilities brought its operating rate up 1.7 percentage points to 86.3 percent. Even so, it remained well below the 92.3 percent rate recorded during the cold snap last December.

Statements to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, July 12, 1990.

I am pleased to appear before this committee to discuss reform of the deposit insurance system and expanded activities for banking organizations. Like each of you, my colleagues and I have spent considerable time discussing and debating the issues. We are reminded almost daily of the potential for public cost of the deposit insurance obligation, made so painfully apparent by the failures and difficulties of so many thrift institutions. Similarly, both the Congress and the Board are reminded repeatedly of the erosion of the competitiveness of our banking system both domestically and internationally. The time has come when these issues must be addressed.

The hearings you are conducting, Mr. Chairman, will establish a record preliminary to the publication early next year of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA)-mandated Treasury study of the issues. The Board is participating in this study and has conveyed to the Treasury the views expressed in this statement. By holding hearings at this early date, I hope that the Congress will be able to focus on the needed legislation immediately after the release of the Treasury study. Basic reforms are required both of the safety net and of the range of activities permitted banking organizations.

The fundamental problems with deposit insurance that must be addressed are clearly understood and are, I believe, subject to little debate among those with drastically different prescriptions for reform. The safety net—deposit insurance, as well as the discount window—has so lowered the risks perceived by depositors as to make them relatively indifferent to the soundness of the depository recipients of their funds, except in unusual circumstances. With depositors exercising insufficient discipline through the cost of deposits, the incentive of some banks' owners to control risk-taking has been dulled. Profits associated with risk-taking accrue to owners, while losses in excess of bank capital that would otherwise fall on depositors are absorbed by the Federal Deposit Insurance Corporation (FDIC).

Weak depositor discipline and this moral hazard of deposit insurance have two important implications. First, the implicit deposit insurance subsidy has encouraged banks to enhance their profitability by increasing their reliance on deposits rather than capital to fund their assets. In effect, the deposit insurance funds have been increasingly substituted for private capital as the cushion between the asset portfolios of insured institutions and their liabilities to depositors. A hundred years ago, the average equity-capital-to-asset ratio of U.S. banks was almost 25 percent, approximately four times the current level. Much of the decline over the past century, no doubt, reflects the growing efficiency of our financial system. But it is difficult to believe that many of the banks operating over recent decades would have been able to expand their assets so much, with so little additional investment by their owners, were it not for the depositors' perception that, despite the relatively small capital buffer, their risks were minimal. Regulatory efforts over the past ten to fifteen years have stabilized and partially reversed the sharp decline in bank equity capital–asset ratios. This trend has occurred despite the sizable write-off of loans and the substantial build-up in loan-loss reserves in the past three years or so. But the capital ratios of many banks are still too low.

Second, government assurances of the liquidity and availability of deposits have enabled some banks with declining capital ratios to fund a riskier asset portfolio at a lower cost and on a much larger scale, with governmental regulations and supervision, rather than market processes, the major constraint on risk-taking. As a result, more resources have been allocated to finance risky projects than would have been dictated by economic efficiency.

In brief, the subsidy implicit in our current deposit insurance system has stimulated the growth of banks and thrift institutions. In the process, the safety net has distorted market signals to depositors and bankers about the economics of the underlying transactions. This distortion has led depositors to be less cautious in choosing among institutions and has induced some owners and their managers to take excessive risk. In turn, the expanded lending to risky ventures has required increased effort and resources by supervisors and regulators to monitor and modify behavior.

But in reviewing the list of deficiencies of the deposit insurance system, we should not lose sight of the contribution that both deposit insurance and the discount window have made to macroeconomic stability. The existence and use of the safety net have shielded the broader financial system and the real economy from instabilities in banking markets. More specifically, they have protected the economy from the risk of deposit runs, especially the risk of such runs spreading from bank to bank, disrupting credit and payment flows and the level of trade and commerce. Confidence in the stability of the banking and payments system has been the major reason why the United States has not suffered a financial panic or systemic bank run in the last half century.

There are thus important reasons to take care as we modify our deposit insurance system. Reform is required. So is caution. The ideal is an institutional framework that, to the extent possible, induces banks both to hold more capital and to be managed as if there were no safety net, while at the same time shielding unsophisticated depositors and minimizing disruptions to credit and payment flows.

If we were starting from scratch, the Board believes it would be difficult to make the case that deposit insurance coverage should be as high as its current $100,000 level. However, whatever the merits of the 1980 increase in the deposit insurance level from $40,000 to $100,000, it is clear that the higher level of depositor protection has been in place long enough to be fully capitalized in the market value of depository institutions. The associated scale and cost of funding have been incorporated into a wide variety of bank and thrift decisions, including portfolio choices, staffing, branch structure, and marketing strategy. Consequently, a return to lower deposit insurance coverage—like any tightening of the safety net—would reduce insured depository market values and involve significant transition costs. It is one thing initially to offer and then maintain a smaller degree of insurance coverage and quite another to reimpose on the existing system a lower level of insurance, with its associated readjustment and unwinding costs. This is why the granting of subsidies by the Congress should be considered so carefully: They not only distort the allocation of resources but also are extremely difficult to eliminate, imposing substantial transition costs on the direct and indirect beneficiaries. For such reasons, the Board has concluded that, should the Congress decide to lower deposit insurance limits, a meaningful transition period would be needed.

A decision by the Congress to leave the $100,000 limit unchanged, however, should not preclude other reforms that would reduce current inequities in, and abuses of, the deposit insurance system. Serious study should be devoted to the cost and effectiveness of policing the $100,000 limit so that multiple accounts are not used to obtain more protection for individual depositors than the Congress intends. The same study could consider the desirability of limiting pass-through deposit insurance—under which up to $100,000 insurance protection is now explicitly extended to each of the multiple beneficiaries of some large and otherwise uninsured deposits. Both have been used at times to thwart or abuse the purpose of deposit insurance protection.

No matter what the Congress decides on deposit insurance limits, we must be cautious of our treatment of uninsured depositors. Such depositors should be expected to assess the quality of their bank deposits just as they are expected to evaluate any other financial asset they purchase. Earlier I noted that our goal should be for banks to operate as much as possible as if there were no safety net. In fact, runs of uninsured deposits from banks under stress have become commonplace.

So far, the pressure transmitted from such episodes to other banks whose strength may be in doubt has been minimal. Nevertheless, the clear response pattern of uninsured depositors to protect themselves by withdrawing their deposits from a bank under pressure raises the very real risk that in a stressful environment the flight to quality could precipitate wider financial market and payments distortions. These systemic effects could easily feed back to the real economy, no matter how open the discount window and how expansive open market operations. Thus, while deposits in excess of insurance limits should not be protected by the safety net at any bank, reforms designed to rely mainly on increased market discipline by uninsured depositors raise serious stability concerns. Public policy, therefore, should rely on other means as the primary mechanism to induce prudent bank policies.

A promising approach that seeks to simulate market discipline with minimal stability implications is the application of risk-based deposit insurance premiums. The idea is to make the price of insurance a function of the bank's risk, reducing the subsidy to risk-taking and spreading the cost of insurance more fairly across depository institutions. In principle, this approach has many attractive characteristics and could be designed to augment risk-based capital. For example, banks with high risk-based capital ratios might be charged lower insurance premiums. But the range of premiums necessary to induce genuine behavioral changes in portfolio management might well be many multiples of the existing premium, thereby raising practical concerns about its application. Risk-based premiums also would have to be designed with some degree of complexity if they are to be fair and if unintended incentives are to be avoided. In any event, the potential additional benefits on top of an internationally negotiated risk-based capital system, while positive, require further evaluation.

Another approach that has induced increasing interest is the insured narrow bank. Such an institution would invest only in high quality, short-maturity, liquid investments, recovering its costs for checking accounts and wire transfers from user fees. The narrow bank would thus require drastic institutional changes, especially for thousands of our smaller banks and for virtually all households using checking accounts. Movement from the present structure for delivery of many bank services would be difficult and costly, placing U.S. banks at a disadvantage internationally. In addition, this approach might shift and possibly focus systemic risk on larger banks. Banking organizations would have to locate their business and household credit operations in nonbank affiliates funded by uninsured deposits and borrowings raised in money and capital markets. Only larger organizations could fund in this way, and these units, unless financed longer term than banks today, would be subject to the same risks of creditor runs that face uninsured banks, with all of the associated systemic implications. If this were the case, we might end up with the same set of challenges we face today, refocused on a different set of institutions. We at the Board believe that while the notion of a narrow bank to insulate the insurance fund is intriguing, in our judgment further study of these systemic and operational implications is required.

If, in fact, proposals that rely on uninsured depositor discipline, risk-based premiums, and structural changes in the delivery of bank services raise significant difficulties, reform should then look to other ways to curb banks' risk appetites, and to limit the likelihood that the deposit insurance fund, and possibly the taxpayer, will be called on to protect depositors. The Board believes that the most promising approach is to reform both bank capital and supervisory policies. Both policies would be designed to reduce the value of the insurance subsidy. Neither policy would rule out either concurrent or subsequent additions to deposit insurance reform, such as the changes discussed previously, other proposals, such as increased reliance on subordinated debt, or new approaches that may emerge in the years ahead. In fact, higher capital, by reducing the need for, and thereby the value of, deposit insurance would make subsequent reform easier. There would be less at stake for the participants in the system.

At the end of this year, the phase-in to the International Capital Standards under the Basle Accord will begin. This risk-based capital approach provides a framework for incorporating portfolio and off-balance-sheet risk into capital calculations. Most U.S. banks have already made the adjustment required for the fully phased-in 1992 standard. However, the prospective increasingly competitive environment suggests that the minimum level of capital called for by the 1992 requirements may not be adequate, especially for institutions that want to take on additional activities. As a result of the safety net, too many banking organizations, in our judgment, have traveled too far down the road of operating with modest capital levels. It may well be necessary to retrace our steps and begin purposefully to move to capital requirements that would, over time, be more consistent with what the market would require if the safety net were more modest. The argument for more capital is strengthened by the necessity to provide banking organizations with a wider range of service options in an increasingly competitive world. Indeed, projections of the competitive pressures only intensify the view that if our financial institutions are to be among the strongest in the world, let alone avoid an extension of the taxpayers' obligation to even more institutions, we must increase capital requirements. Our international agreements under the Basle Accord permit us to do so.

There are three objectives of a higher capital requirement. First, higher capital would strengthen the incentives of bank owners and managers to evaluate more prudently the risks and benefits of portfolio choices because more of their money would be at risk. In effect, the moral hazard risk of deposit insurance would be reduced. Second, higher capital levels would create a larger buffer between the mistakes of bank owners and managers and the need to draw on the deposit insurance fund. For too many institutions, that buffer has been too low in recent years. The key to creating incentives to behave as the market would dictate, and at the same time creating these buffers or shock absorbers, is to require that those who would profit from an institution's success have the appropriate amount of their own capital at risk. Third, requiring higher capital imposes on bank managers an additional market test. They must convince investors that the expected returns justify the commitment of risk capital. Those banks unable to do so would not be able to expand.

We in the Federal Reserve System are in the process of developing more specific capital proposals, including appropriate transition arrangements designed to minimize disruptions. However, at the outset I would like to anticipate several criticisms. For many banks, raising significant new capital will be neither easy nor cheap. Maintaining return on equity will be more difficult, and those foreign banks that only adhere to the Basle minimums may be put in a somewhat better competitive position relative to some U.S. banks. Higher capital requirements also will tend to accelerate the move toward bank consolidation and slow bank asset growth. However, these concerns must be balanced against the increasing need for reform now, the difficulties with all the other options, and both the desire of, and necessity for, banking organizations to broaden their scope of activities to operate successfully.

More generally, many of the arguments about the competitive disadvantages of higher capital requirements are shortsighted. Well-capitalized banks are the ones best positioned to be successful in the establishment of long-term relationships, to be the most attractive counterparties for a large number of financial transactions and guarantees, and to expand their business activities to meet new opportunities and changing circumstances. Indeed, many successful U.S. and foreign institutions would today meet substantially increased risk-based capital standards. In addition, the evidence of recent years suggests that U.S. banks can raise sizable equity. The dollar volume of new stock issues by banking organizations has grown at a greater rate since the late 1970s than the total dollar volume of new issues by all domestic corporate firms.

Higher capital standards should go a long way toward inducing market-like behavior by banks. However, the Board believes that, so long as a significant safety net exists, additional inducements will be needed through an intensification of supervisory efforts to deter banks from maintaining return on equity by acquiring riskier assets. When it is not already the practice, full in-bank supervisory reviews—focusing on asset portfolios and off-balance-sheet commitments—should occur at least annually, and the results of such examinations should promptly be shared with the board of directors of the bank and used to evaluate the adequacy of the bank's capital. The examiner should be convinced, after a rigorous and deliberate review, that the loan-loss reserves are consistent with the quality of the portfolio. If they are not, the examiner should insist that additional reserves be created with an associated reduction in the earnings or equity capital of the bank. If the resultant capital is not consistent with minimum capital standards, the board of directors and the bank's regulators should begin the process of requiring the bank either to reduce those assets or to rebuild equity capital.

If credible commitments to raise capital are not forthcoming, and if those commitments are not promptly met, the authorities should explore such responses as lowered dividends, slower asset growth or perhaps even asset contraction, restrictions on the use of insured brokered deposits, if any, and divestiture of affiliates with the resources used to recapitalize the bank. What is important is that the supervisory responses occur promptly and firmly and that they be anticipated by the bank. This progressive discipline or prompt corrective action of a bank with inadequate capital builds on our current bank supervisory procedures and is designed to simulate market pressures from risk-taking—to link excessive risk-taking more closely with its costs—without creating market disruptions. Some flexibility is certainly required, but the Board has in mind a set of credible responses in principle and a presumption that these responses will be applied in the absence of compelling reasons not to do so.

Such an approach—higher capital and prompt corrective action—would increase the cost and reduce the availability of credit from insured institutions to riskier borrowers. In effect, our proposal would reduce the incentive some banks currently have to overinvest in risky credits at loan rates that do not fully reflect the risks involved. This reduction implies that the organizers of speculative and riskier ventures will have to restructure their borrowing plans, including possibly paying more for their credit, or seek financing from noninsured entities. Some borrowers may find their proposals no longer viable. However, it is just such financing by some insured institutions that has caused so many of the current difficulties, and it is one of the objectives of our proposals to cause depositories to reconsider the economics of such credits. As insured institutions reevaluate the risk-return tradeoff, they are likely to be more interested in credit extensions to less risky borrowers, increasing the economic efficiency of our resource allocation.

Despite their tendency to raise the average level of bank asset quality, higher capital requirements and prompt corrective action will not eliminate bank failures. An insurance fund will still be needed, but we believe that, with a fund of reasonable size, the risk to taxpayers should be reduced substantially. As I have noted, higher capital requirements and prompt corrective action imply greater caution in bank asset choices and a higher cushion to the FDIC to absorb bank losses. In addition, an enhanced supervisory approach will not permit deteriorating positions to accumulate. Moreover, the Board believes that forced mergers, divestitures, and, when necessary, conservatorships should occur while there is still positive (albeit low) capital in the bank to limit reorganization or liquidation costs. Existing stockholders should be given adequate time to correct deteriorating positions—including providing new capital—but the Congress should specifically provide the bank regulators with the clear authority, and, therefore, explicit support, to act well before technical insolvency to minimize the ultimate resolution costs.

These reforms should be equally applicable to banks of all sizes. No observer is comfortable with the inequities and adverse incentives of an explicit or implicit program that penalizes depositors, creditors, and owners of smaller banks more than those of larger ones. The Board believes no bank should assume that its scale insulates it from market discipline. Nevertheless, it is clear that there may be some banks at some particular times whose collapse and liquidation would be excessively disruptive to the financial system. But no bank is ever too large or too small to escape the application of the same prompt corrective action standards applied to other banks. Any bank can be required to rebuild its capital to adequate levels and, if it does not, be required to contract its assets, divest affiliates, cut its dividends, change its management, sell or close offices, and the resultant smaller entity can be merged or sold to another institution with the resources to recapitalize it. If this is not possible, the entity can be placed in conservatorship and liquidated.

I noted earlier that one response of some banks to the more intense competitive environment has been to draw down their capital buffer. These banks and other institutions cannot rebuild, strengthen, and maintain the appropriate level of capital unless they are able to adapt to the changing competitive and technological environment. The ability to adapt is crucially dependent on broadening the permissible range of activities for banking organizations. At the same time, we should be sensitive to the implications of the potential extension of the safety net—directly or indirectly—under those markets that banking organizations are authorized to enter.

The Board has for some time held the view that strong insulating fire walls would both protect banks (and taxpayers) from the risk of new activities and limit the extension of the safety net subsidy that would place independent competitors at a disadvantage. However, recent events, including the rapid spread of market pressures to separately regulated and well-capitalized units of Drexel when their holding company was unable to meet its maturing commercial paper obligations, have raised serious questions about the ability of fire walls to insulate one unit of a holding company from funding problems of another. Partially as a result, the Board is in the process of reevaluating both the efficacy and desirability of substantial fire walls between a bank and some of its affiliates. It is clear that high and thick fire walls reduce synergies and raise costs for financial institutions, a significant problem in increasingly competitive financial markets. If they raise costs and may not be effective, we must question why we are imposing these kinds of fire walls at all. Moreover, higher capital standards and prompt corrective action go a long way to limit the transference of the bank safety net subsidies to bank affiliates that fire walls are designed to constrain. And, as such, they should greatly limit the risk of distorted market signals and excessive risk-taking over an expanded range of markets, as well as the unfair competition, that might otherwise accompany wider bank activities.

Indeed, authorization to use their expertise over a wider range of markets might well be limited only to those banking organizations that meet a new higher capital standard. Consequently, the Congress might wish to authorize bank supervisors to grant certain of these activities only to those entities that exceed such a standard. Those institutions that consistently exceed the capital standard perhaps could receive more flexibility in supervisory treatment. For example, a notice requirement could be substituted for formal applications for activities permitted by law and regulation, provided that such acquisitions leave a banking organization's capital in excess of the higher standards. Other reductions in regulatory burden for highly capitalized banking organizations might also be appropriate. Such organizations would, however, still be subject to the same thorough annual examinations.

As you know, the Board has long supported repeal of the provisions of the Glass–Steagall Act that separate commercial and investment banking. We still strongly advocate such repeal because we believe that technology and globalization have continued to blur the distinctions among credit markets, and have eroded the franchise value of the classic bank intermediation process. Outdated constraints will only endanger the profitability of banking organizations and their contribution to the American economy. Beyond investment banking, the Board believes that highly capitalized banking firms should be authorized to engage in a wider range of financial activities as a part of the modernization of our financial structure and the maintenance of strong, profitable financial institutions that can compete in world markets. A banking system that cannot adapt to the changing competitive and technological environment will no longer be able to attract and maintain the higher capital level that some of our institutions need to operate without excessive reliance on the safety net.

Firms primarily engaged in the financial activities authorized to banking organizations should likewise be permitted to operate an insured bank. The Congress, of course, will have to give careful consideration to how to handle the activities some of these entities are already engaged in that would not be permitted to banking organizations.

More generally, as we expand the range of activities available to banking organizations, competitive equity suggests the desirability of functional regulation. Under such an approach, each area of activity should be subject to the same regulatory constraints as equivalent or very similar functions at nonbank firms. But independent of regulatory or organizational structure, all of us should understand that the market, the stockholders, and the management will think of the bank and any associated units—affiliates or subsidiaries—not as a confederation of businesses, but as an integrated organization. Recognition of this reality suggests that it is perhaps inefficient, at best, and under conditions of financial distress, ineffective, to try to make integrated businesses behave as if they were a collection of independent firms.

As a result, it may be more realistic, as I suggested earlier, to apply more limited fire walls to the new activities. I have in mind here restrictions such as sections 23A and 23B of the Federal Reserve Act, which already limit the financial transactions between a bank and its affiliates, requiring collateral, arms-length transactions, and—except when Treasury securities are used as collateral—quantitative limits based on the bank's capital. Moreover, recognition of the integrated nature of the operations of the insured unit with the rest of the organization raises the question of the implications of a piecemeal regulatory structure, with no means for ensuring that the activities of the organization as a whole do not impose undue risk on either the financial system or the safety net. We believe that some agency should be responsible for oversight of the entire organization, especially if expanded activities and less rigorous fire walls are adopted.

As the Congress considers modernization of our banking structure to meet the needs of the twenty-first century, it should not only widen the permissible activities of well-capitalized banking organizations, but also eliminate outdated statutes that only increase costs. The McFadden Act forces state member and national banks to deliver interstate services only through separately capitalized bank holding company subsidiaries (when permitted by state law) rather than through branches. Such a system reduces the ability of many smaller banks to diversify geographically and raises costs for all banking organizations that operate in more than one state, a curious requirement as we search for ways to make banks more competitive and profitable. The McFadden Act ought to be amended to permit interstate branching by banks.

In summary, events have made it clear that we ought not to permit banks, because of their access to the safety net, to take excessive risk with inadequate capital. Even if we were to ignore the potential taxpayer costs, we ought not to permit a system that is so inconsistent with efficient market behavior. In the process of reform, however, we should be certain that we consider carefully the implications for macroeconomic stability. The Board believes that higher capital and prompt corrective action by supervisors to resolve problems will go a long way to eliminate excessive risk-taking by insured institutions, and would not preclude additional deposit insurance reform, now or later. Moreover, we believe that with such an approach the Congress should feel comfortable with authorizing banking organizations to expand the scope of their financial activities. Indeed, we believe that permitting wider activities is necessary to ensure that such organizations can remain competitive both here and abroad. Increased activities are also required to sustain the profitability needed if banking firms are to attract capital. To limit the risks of safety net transference, some new activities might be made available by banking regulators only to banks with impressive capital positions. We believe that whatever the regulatory form and structure under which new activities are permitted, one agency should have oversight responsibility for the banking organization as a whole. It is also our view that, with these suggested reforms, reliance on stringent fire walls would not be necessary. And the McFadden Act should be amended to permit banks to deliver their services at the lowest possible costs and to more easily diversify their geographic risks. The Board has shared its views with the Treasury as part of our continuing consultations on these matters, especially in the context of their FIRREA-mandated study.

Finally, in considering all proposals, we should remind ourselves that our objective is a strong and stable financial system that can deliver the best services at the lowest cost and compete around the world without taxpayer support. This requires the modernization of our financial system and the weaning of some institutions from the unintended benefits that accompany the safety net. Higher capital requirements may well mean a relatively leaner and more efficient banking system, and they will certainly mean one with reduced inclinations toward risk. However, the Board believes our proposed reforms—including the authorization of wider activities by banking organizations—will go a long way toward ensuring a safer and more efficient financial system and lay the groundwork for other modifications in the safety net in the years ahead. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, July 18, 1990.

I am pleased to be here today to testify in connection with our semiannual Monetary Policy Report to the Congress.[1] In my prepared remarks this morning I shall discuss, as is customary on such occasions, current and prospective economic conditions and the Federal Reserve's objectives for money and credit growth over the period ahead. Two areas of particular note at present, with potential implications for the conduct of monetary policy, are the ongoing restructuring of credit flows in the U.S. economy and the prospects for a significant cut in the federal budget deficit. I shall pay special attention to these topics in my statement.

Economic and Financial Developments Thus Far in 1990

When I came before this committee in February, I characterized the economy as poised for continued moderate expansion in 1990, and, in large measure, developments so far this year appear to have borne that statement out. Real gross national product grew at a 2 percent annual rate in the first quarter, and indicators of economic activity for the second quarter suggest a further rise, though perhaps at a somewhat slower rate. Within this whole, however, the various sectors have moved along at different paces.

On the distinctly positive side, exports have shown solid gains, buoyed by expanding markets abroad. The impetus from international trade has been important in the pickup in industrial production this year.

In contrast, the news coming from the household sector in recent months has had a softer cast to it. Consumers appear to have pulled back a bit, as the slower overall pace of expansion and the more pronounced weakness in certain parts of the country—especially the Northeast—seem to have taken some toll on confidence in the economic outlook. Moreover, having accumulated large stocks of automobiles and other consumer durables earlier in the expansion, consumers could be more selective about when to purchase replacements. Sales of new homes also have weakened, deterring building activity.

There are other pluses and minuses, as well, in the economic picture—by sector and by region. But, on balance, the economy still appears to be growing, and the likelihood of a near-term recession seems low, in part because businesses have been working hard to keep their inventories in line with sales trends.

Although output overall grew rather modestly over the first half, the unemployment rate remained at its lowest level in almost twenty years. Over the past year, as employment has decelerated, so too has the labor force, in part reflecting a surprising decline in labor force participation rates for young people. Some flattening in the aggregate participation rate would be consistent with evidence that many individuals now perceive job opportunities as less abundant. Differences from past cyclical experiences, however, suggest that other factors also must be at work—if, in fact, the current pattern represents something more than noise in the data. This develop-

1. See "Monetary Policy Report to the Congress," *Federal Reserve Bulletin*, vol. 76 (September 1990), pp. 711–25.

ment certainly bears watching, for it may have implications for potential output growth.

Be that as it may, with hiring proceeding at a less rapid pace, the rate of increase in wages appears to have leveled out from its earlier upward trend. The core rate of inflation in consumer prices, proxied by abstracting from movements in food and energy prices, picked up sharply in the first quarter, but has moderated in recent months. This moderation has been concentrated in the prices of goods, perhaps reflecting the ebbing of capacity pressures in several industries, while service price inflation has shown little sign of abating.

In 1990, Federal Reserve policy has continued to be directed at sustaining the economic expansion while making progress toward price stability. Ultimately, the two go hand in hand: A stable price level sets the stage for the economy to operate at its peak efficiency, while high inflation inevitably sows the seeds of recession and wrenching readjustment. In the short run, however, the risks of inflation, on the one hand, and of an economic downturn, on the other, must be weighed in the policymaking process. The Federal Reserve saw those risks as about evenly balanced over the first half of the year and made no adjustments in monetary policy.

Throughout this period, which has been marked by dramatic changes in the flow of funds through depository institutions, the Federal Reserve has been paying particularly close attention to conditions in credit markets. Evidence of a tightening of terms and reduced availability of credit has gradually accumulated, to the point where it became apparent in recent days that some action by the monetary authority was warranted. Several indicators have been pointing in this direction, including the behavior of the monetary aggregates. Growth in M2, for example, which stalled out in the spring, has failed to strengthen materially, suggesting that the degree of financial restraint in train might be greater than anticipated or than appropriate to the evolving economic situation. This restraint is a function of developments in the credit markets, independent of monetary policy. The recent decline in the federal funds rate to 8 percent, as a consequence of our action to reduce slightly the pressures in reserve markets, represents an effort to offset the effects of greater stringency in credit markets.

Other market interest rates generally rose early in 1990, as it became apparent that the economy was not as weak as many had thought. Long-term yields were most affected, increasing a full percentage point by early May. Subsequently, however, signs of a softening of activity prompted a reversal of much of that runup. Rates on long-term securities remain about ½ percentage point above their year-end levels, but money market quotes are now little changed on balance. Throughout this period, rates on Treasury bills have remained somewhat higher than usual relative to those on private instruments, probably in part reflecting the large amount of bill issuance necessary to fund working capital for the Resolution Trust Corporation (RTC).

The runup in market interest rates early in the year was one factor behind the sharp slowing in money growth over the first half of 1990. M2, which had been running close to the top of its target range in February, posted no net increase between March and June. This weakness, which moved the aggregate close to the bottom of its range, was too abrupt to be accounted for fully by the rise in market rates, however. Another of the factors at work was the restructuring of financial flows. One aspect of this restructuring was the closing of insolvent thrift institutions by the RTC and the sale of their deposit bases. Although the RTC's activities do not directly affect M2, the availability of huge blocks of deposits to the remaining thrift institutions and banks lessened their need to raise rates to draw in funds. In combination with the more cautious attitude that depositories have exhibited toward expanding their balance sheets, the deposit transfers contributed to an unusual degree of inertia in the pricing of retail deposits. Households responded to the relatively low returns on deposits by looking elsewhere, as suggested by heavy flows into stock and bond mutual funds and sizable noncompetitive tenders at Treasury auctions. Nevertheless, while the movements in yield spreads can account for a good share of the slump in M2 growth, a portion of it still requires explanation.

The cause for the meager growth this year in the broader monetary aggregate, M3, is clearer:

The RTC closed down a very large number of savings and loan associations, taking many of those institutions' assets onto the government's balance sheet and thereby effectively reducing the overall funding needs of the depository system. In addition, increased loan losses and the phasing-in of tighter capital requirements circumscribed the expansion of credit at many other thrift institutions and banks. With depository credit growth limited, M3—which contains much of the associated funding—essentially stalled. By June, M3 growth was well below the 2½ percent lower bound of the target range the FOMC had set in February.

That range had itself been reduced a full percentage point from the target provisionally set last July in recognition of the potential effects of the ongoing contraction of the thrift industry. Lacking historical experience with a financial restructuring like the current one, however, it was unclear exactly how the flows would end up being redirected through the financial system and, in particular, how much of the thrift lending would be picked up by commercial banks. While the economy more broadly is about where we expected it to be, the configuration of the financial system is somewhat different, leading to less M3 growth than had been anticipated.

CREDIT CONDITIONS

The weakness in the monetary aggregates, in part, signals a change in the behavior of depository institutions, with potential for affecting overall credit provision. The conservative pricing of retail and wholesale deposits represents one aspect of their efforts to widen profit margins. In light of concerns about their capital positions, banks and thrift institutions also have reined in lending activity and imposed stiffer terms on loans.

The change in credit supply conditions may have significant implications for borrowing, spending, and policy. I would not call this change a "credit crunch," as those words connote a contraction of lending on a major scale, with many borrowers effectively shut out of credit markets, regardless of their qualifications. We are not seeing symptoms of that kind of widespread, classic crunch, as in the past when deposit rate ceilings or usury ceilings limited the market's ability to adjust and forced cutoffs of credit. But I can well appreciate that my view on this topic may be perceived as a semantic nicety by a borrower who today is suddenly unable to get a loan on the terms formerly available. To the borrower, it makes little difference why the lender is pulling back or how pervasive the change in credit conditions is.

From a policymaker's perspective, however, it is essential to sort the issues out. This means discerning the breadth and depth of the shift in credit conditions, its causes, its effects, and the extent to which it may ultimately be a desirable development. Clearly, the verdict is not yet in on the current episode; in economics we are seldom able to make a definitive diagnosis until well after the fact, but to do our job we must hazard some answers.

First, what do we observe? The evidence on this score continues to grow; numerous reports indicate that depository institutions and other lenders have become more selective in extending credit. In addition, Federal Reserve surveys of large banks support this sense that terms have been tightened in particular parts of the country and on certain types of loans. Especially hard-hit have been financings for mergers and leverage buyouts, commercial real estate, and construction and development. There also is evidence that small and medium-sized companies, as well as the poorer quality credits among the larger firms, have faced some tightening of credit availability. The change in credit conditions has taken various forms, including tougher standards for credit approval, higher collateral requirements, and increases in interest rates; and, in some cases, loans have been simply unavailable. Even investment-grade corporations appear to be facing slightly higher costs in accessing bank credit facilities. At the same time, a huge widening of spreads on less-than-investment-grade bonds has effectively shut down that market to most new issues.

But on several other types of credit, changes in price and nonprice terms appear to have been relatively minor. For example, the rates on residential mortgages, consumer loans, and the debt of investment-grade corporations have remained about in their usual alignment with other market interest rates. Because these credits may trade on securities markets and thereby access a broad range of investors, the interest of banks and thrift institutions in holding the obligations in portfolio has little, if any, effect on the cost to borrowers. These obligations account for a major share of the credit extended in the economy, and hence the slowing of depository credit and the sluggish behavior of the monetary aggregates—while indicative of some tightening of credit—likely overstate the impact of the depositories' behavior on economic activity.

No doubt a sizable portion of lenders' increased reluctance to commit funds for certain purposes reflects a natural and healthy reaction to a slowdown in growth as the economy moves closer to capacity constraints. Prospects for continued strong production and sales increases fade, and the odds rise that some borrowers will prove unable to meet their obligations. In other words, part of the ongoing shift in credit conditions is what amounts to a regular cyclical event. But there is more to it than that. Through one avenue or another, the change in credit standards has its roots in part in the excesses of the 1980s. The weaker credits extended during that decade have come home to roost, and in so doing have impinged to varying degrees on the current availability of credit.

Perhaps the clearest example is the real estate sector and its principal lender, the thrift industry. Those savings and loan associations that were the freest with their funds exist no longer, having been closed by the RTC, and the remaining savings and loan associations face tighter regulations constraining their lending. The resulting void has been filled quite effectively for home mortgage borrowers, with highly developed secondary markets drawing funds in from elsewhere. For these borrowers, the shrinkage of the thrift industry does not represent a significant decline in intermediation services. But many other clients of thrift institutions, whose debt is less easily securitized, have been hard-pressed to find alternative sources of funds. Moreover, lax lending standards by both thrift institutions and banks contributed to overbuilding in commercial real estate, which has added to problems for lenders to this industry.

Rising capital requirements for banks and thrift institutions have interacted with large losses on soured loans and the financial market's distaste for providing additional capital to the institutions taking these losses. This interaction has resulted in strong incentives for depository institutions to conserve capital. Their efforts to build larger capital cushions, in turn, have been manifest in a somewhat more cautious approach to lending, as well as a stepped-up effort to sell off assets by, for example, securitizing loans. Partly as a result of tighter credit conditions, the growth of credit, as measured by the change in the debt of domestic nonfinancial sectors, has come down into closer alignment with the expansion of nominal GNP. This process, which reflects a somewhat more cautious approach on the part of borrowers as well, is not an aberrant restrictive phase in the life of the financial system, but rather a return to what had been the norm before the 1980s.

To be sure, when you go from excess credit creation to normal, it can feel like a tightening. And in that sense credit conditions have tightened. Many of the loans made during the 1980s should not, by historical standards of creditworthiness, have been made. As standards reverted closer to normal, those weaker borrowers have been finding it far more difficult to access credit.

In addition, however, depository institutions appear more recently to be lending with greater caution in general. As a result, even creditworthy borrowers may have to look harder for a loan, put up more collateral, or pay a somewhat higher spread. For the nation as a whole, the tightening of credit standards will leave the financial system on a sounder footing and contribute to economic stability in the long run. Nevertheless, in the here and now, the tightening is beginning to have very real, unwelcome effects. Diminished credit availability can constrain firms' spending, for example, limiting more of them to internally generated funds. It is difficult to discern the dividing line between lending standards that are still healthy and those that are so restrictive as to be inconsistent with the borrower's status and the best interests of the lender in the long run. In recent weeks, however, we may have slipped over that line. Such developments can, and do, occur independently of central bank actions and can have important influences on spending and output. Thus the Federal Reserve must remain alert to the possibility that an adjustment to its posture in reserve markets might be needed to maintain stable overall financial conditions.

As best we can judge, the change in credit conditions currently is exerting a slight additional degree of restraint on the economy. The process of credit restraint may not have reached completion, and some of its effects may not yet have been felt; hence it will require continued scrutiny. However, the tightening should eventually unwind as displaced borrowers find alternative sources of funds and as the banking system rebuilds its capital.

This restraint has implications for monetary policy at present, and the ongoing restructuring of the financial system has implications for the conduct of policy over the foreseeable future. It is clear that the financial restructuring will affect the channels through which policy actions are transmitted ultimately to economic growth and inflation; some will be diminished and others augmented. In these circumstances, the Federal Reserve has emphasized a flexible approach to policymaking, which includes attention to a wide range of economic and financial indicators.

Ranges for Money and Debt Growth in 1990 and 1991

At its meeting earlier this month, the FOMC reaffirmed the 1990 range of 3 percent to 7 percent that it had set for the growth of M2. With the thrift industry likely to continue to shrink at a good clip and commercial banks expanding more circumspectly, depository institutions are not expected to be bidding aggressively for funds. As a result, although banks may replace more of their managed liabilities with retail deposits, M2 could well remain in the lower half of its target range through year-end. In view of changing credit flows, a slow rate of expansion in M2 seems consistent with continued moderate growth in output, but any pronounced weakness in the aggregate that drops it below its current range might represent greater monetary restraint than is desirable this year.

Looking ahead to 1991, the Committee lowered the M2 range ½ percentage point on a provisional basis. We believe that this range is consistent with the continuation of measured restraint on aggregate demand—a necessity in the containment, and ultimate elimination, of inflation. Such restraint need not be a barrier to sustained growth. Indeed, it is a crucial requirement. As I suggested earlier, one thing that surely would jeopardize the current expansion would be for inflation to move upward, rather than downward, from the recent plateau.

FOMC members and other Reserve Bank Presidents generally foresee the policy embodied in the money ranges as leading to both sustained growth and diminished inflation in the period ahead. For 1990, their expectations center on an inflation rate in the 4½ percent to 5 percent range, with real GNP growth of about 1½ percent to 2 percent. But with this year's slow growth helping to relieve pressures on resources, expectations for 1991 incorporate both somewhat lower inflation and somewhat higher real growth, at a rate closer to that of growth in potential output.

The path of M3 consistent with these projections has been heavily affected by the changes in financial intermediation in recent quarters. Taking into account the current lending posture of the commercial banks and remaining thrift institutions, we now expect the closures of insolvent thrift institutions to show through in very subdued growth in M3. Accordingly, the FOMC voted to lower the 1990 range for growth of this aggregate to 1 percent to 5 percent. This action does not signal a tighter policy stance, but rather our recognition that financial markets have been adjusting to the RTC's activities in a somewhat different manner than we had anticipated, making the lower M3 target appropriate. In view of the considerable uncertainties about both the scale of RTC activities next year and the speed with which the banking industry will approach a more comfortable capital position, the new 1990 range was carried forward unchanged into 1991 on a tentative basis.

Overall debt growth during the rest of this year is expected to remain around the midpoint of its reaffirmed 5 percent to 9 percent monitoring range. The nonfederal sectors now appear to be increasing their debt about in line with nominal income growth, with the rapid pace of mortgage borrowing in recent years slowing into the single digits and corporate leveraging activity slackening. Growth of total debt in 1990 is likely to exceed that of nominal GNP, however, as the federal government's borrowing to fund RTC activities is expected to boost the total by roughly ¾ percentage point.

For 1991, the FOMC has provisionally reduced the monitoring range for domestic nonfinancial sector debt to 4½ percent to 8½ percent. Debt growth in this range should be adequate to support continued economic expansion, while avoiding the excessive leveraging that characterized much of the 1980s.

A number of uncertainties come into play in the process of judging the outlook for the economy over the next year and a half. Of particular concern in the context of monetary policy are the likely extent and persistence of the tightening of credit terms, the prospective path of potential output growth—especially in view of the recent slowing in the labor force—and the outlook for fiscal policy. It is the last of these that is the focus of the remainder of my comments today.

Fiscal and Monetary Policy Interaction

The determination displayed by the Congress and the Administration in their efforts to come to an agreement on cutting the deficit has been enormously heartening to all who are concerned about the long-run health of the U.S. economy. As a nation, we have been saving too little and borrowing too much; significant progress on the federal deficit would be an important step in rectifying this situation. As you know, I favor not only eliminating the deficit, but also ultimately bringing the government's accounts into surplus over time to compensate for the private sector's tendency to save relatively little. In the long run, the nation's saving and investment behavior is crucial in determining its productivity and hence its standard of living.

Major, substantive, credible cuts in the budget deficit would present the Federal Reserve with a situation that would call for a careful reconsideration of its policy stance. What adjustment might be necessary, and how it might be timed, cannot be spelled out before the fact. The actions required will depend on the constellation of other influences on the economy, the nature and magnitude of the fiscal policy package, and the likely timing of its effects. I can only offer the assurance that the Federal Reserve will act, as it has in the past, to endeavor to keep the economic expansion on track.

Concerns that the Federal Reserve would be unable to offset undesirable macroeconomic effects of a budget pact are, I believe, largely unfounded. It is true that, in general, monetary policy cannot be calibrated extremely finely in response to economic developments, as we are all subject to imperfect data and an imperfect understanding of the myriad economic interrelationships of the real world. However, some doubts seem to focus on whether the various lags involved permit monetary policy to catch up to a change in the fiscal stance. I am less concerned on this point. We can decide that a policy adjustment is appropriate and implement it fully, all in the same morning if need be, and the effects of the change will show through to interest rates and financial asset prices almost immediately. Granted, the impact on economic growth and inflation will be spread out over several quarters, but this is true of changes in fiscal policy as well.

In the final analysis, no one can guarantee that growth in the economy will proceed smoothly, without a hitch on a quarter-to-quarter basis. Nevertheless, a major cut in the budget is unquestionably the right thing to do. Because the federal government has been borrowing too much for too long, it is well past time to reduce the government's draw on credit markets and to free up more resources for enhancing investment and production by the private sector. In this way, fiscal policy, by augmenting national saving, will be doing its part to promote maximum sustainable economic growth. With monetary policy similarly keeping sight of its long-run goal of price stability, the two together will have set a favorable backdrop for vibrant and enduring economic growth. □

Chairman Greenspan presented identical testimony before the Subcommittee on Domestic Monetary Policy of the House Committee on Banking, Finance and Urban Affairs, July 24, 1990.

Announcements

APPROVAL OF LEVERAGE GUIDELINES

The Federal Reserve Board announced on August 2, 1990, approval in final form of capital to total assets (leverage) guidelines and transitional capital standards for state member banks and bank holding companies.

These final guidelines are essentially the same as the proposals the Board issued for public comment late last year.

The Board believes that these guidelines should assist state member banks and bank holding companies (collectively, "banking organizations") in formulating their capital planning process and in strengthening their capital base. The guidelines set forth *minimum* capital requirements.

REVISED LIST OF OTC MARGIN STOCKS NOW AVAILABLE

The Federal Reserve Board published on July 27, 1990, a revised List of Marginable OTC Stocks for over-the-counter (OTC) stocks and a List of Foreign Margin Stocks for foreign equity securities that are subject to the Board's margin regulations, effective August 13, 1990.

The List of Foreign Margin Stocks is a new list that indicates those foreign equity securities that are now eligible for margin treatment at broker-dealers. This treatment was made possible by an amendment to Regulation T, effective April 30, 1990. Forty-one foreign equity securities have been included for the first time on the List of Foreign Margin Stocks.

The revised List of Marginable OTC Stocks supersedes the list that was effective on May 14, 1990. The changes that have been made to the list, which now includes 2,816 OTC stocks, are as follows:

- Eighty-six stocks have been included for the first time, seventy, under National Market System (NMS) designation.
- Fifty-seven stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing.
- Forty-four stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

The List of Marginable OTC Stocks is published by the Board for the information of lenders and the general public. It includes all OTC securities designated by the Board pursuant to its established criteria as well as all OTC stocks designated as NMS securities for which transaction reports are required to be made pursuant to an effective transaction reporting plan. Additional OTC securities may be designated as NMS securities in the interim between the Board's quarterly publications and will be immediately marginable. The next publication of the Board's list is scheduled for October 1990.

Besides NMS-designated securities, the Board will continue to monitor the market activity of other OTC stocks to determine which stocks meet the requirements for inclusion and continued inclusion on the List of Marginable OTC Stocks.

Margin regulations generally limit the amount of credit a person or firm may obtain to buy or carry stock. Stocks on the List of Marginable OTC Stocks or on the List of Foreign Margin Stocks are subject to the same margin requirements (currently 50 percent) as stocks listed on national securities exchanges. These requirements mean that a person or firm buying a stock on credit must make a down payment equal to at least 50 percent of the purchase price of the stock and may obtain credit for the remaining 50 percent. These margin requirements are only applicable to credit extended on stocks after they are placed on the lists and the lists have become effective or after the stocks are designated as NMS securities. No credit may be extended by broker–dealers on stocks that are not traded on a national securities exchange unless they are on the list of Marginable OTC Stocks, the List of Foreign Margin Stocks, or in the NMS group. Credit extended by banks and other lenders on OTC stocks not on the List of Marginable OTC Stocks or in the NMS group need only conform to the good faith lending limitation contained in Regulations G and U.

It is unlawful for any person to cause any representation to be made that inclusion of a stock on the List of Marginable OTC Stocks or on the List of Foreign Margin Stocks indicates that the Board or the Securities and Exchange Commission has in any way passed upon the merits of any such stock or transaction therein. Any references to the Board in connection with these lists or with any stocks thereon in any advertisement or similar communication is unlawful.

Regulation T: Interpretation

The Federal Reserve Board announced on July 18, 1990, the adoption of an interpretation of the applicability of Regulation T (Credit by Brokers and Dealers) to unregistered securities sold and traded pursuant to the Securities and Exchange Commission's new Rule 144A.

The interpretation clarifies that broker–dealers may purchase debt securities from an issuer for resale pursuant to Rule 144A and may make markets in such securities under the investment banking service exception to the arranging section in Regulation T.

The interpretation eliminates any uncertainty broker–dealers might have that their purchase of securities in compliance with Rule 144A could result in a violation of section 7(c) of the Securities Exchange Act of 1934 and Regulation T adopted under that act.

Proposed Actions

The Federal Reserve Board requested on July 2, 1990, public comment on a proposed amendment to Regulation Y (Bank Holding Companies and Change in Bank Control) to reduce the filing requirements under the Change in Bank Control Act. Comment is requested by August 8, 1990.

The Federal Reserve Board requested on July 3, 1990, public comment on a proposal to modify several conditions in its orders authorizing limited underwriting and dealing in securities by bank holding company subsidiaries. Comment should be submitted to the Board by August 8, 1990.

The Federal Reserve on August 1, 1990, requested public comment on proposed revisions to Regulation K (International Banking Operations) that will permit U.S. banking organizations to expand the scope of their international activities. Comment is requested by September 30, 1990.

New Publication: Financial Sectors in Open Economies: Empirical Analysis and Policy Issues

Since the late 1970s, deregulation and innovation in the financial markets of major industrial countries have altered the historical empirical relationships between monetary aggregates and interest rates, incomes, and prices. These changes have profoundly affected the empirical analysis of the demand for money, the role that various monetary aggregates play in the formulation of policy by national monetary authorities, and the modeling of the domestic and cross-border consequences of changes in domestic monetary policies.

The papers and comments in this volume, which is based on a conference sponsored by the Board of Governors of the Federal Reserve System, are by economists representing the academic, business, and national and international governmental communities in the major industrial countries. The papers assess the current modeling of financial sectors, including specifically the demand for money and deposit pricing, in the United States, Canada, Europe, and Japan. They also examine the empirical evidence that can be gleaned from models about financial interactions among major industrial countries and review the ways innovation and deregulation have influenced the implementation of monetary policy and its implications for financial sector behavior.

Peter Hooper and others, eds. *Financial Sectors in Open Economies: Empirical Analysis and Policy Issues*. Washington, D.C., Board of Governors of the Federal Reserve System, 1990. 604 pp., $25.00. To obtain copies of this publication, write to Publications Services, Stop 138, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

System Membership: Admission of State Banks

The following state bank was admitted to membership in the Federal Reserve System, effective May 15, 1990.

Illinois

Monticello .... Marine Bank Monticello

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON MAY 15, 1990

Domestic Policy Directive

The information reviewed at this meeting suggested that economic activity was continuing to expand at a moderate pace. The service-producing sector remained the mainstay for growth in income and employment; manufacturing was still sluggish, and construction activity was slipping after the weather-related bulge earlier in the year. Some broad measures of prices reflected a partial unwinding of the earlier surge in prices of food and energy; however, underlying trends in consumer prices and labor costs suggested no weakening in inflationary pressures.

Total nonfarm payroll employment increased more slowly in March and April after sharp weather-related advances earlier in the year; job growth thus far in 1990 had averaged a little above that in the second half of last year, in part because of the hiring of temporary workers for the census. In the private sector, nonfarm employment fell in both March and April, partly owing to an unwinding of an earlier surge in construction jobs during unseasonably mild winter weather. Job losses also were widespread in manufacturing; and, with the notable exception of health services, hiring in the services industries weakened considerably from the strong pace of 1989 and early 1990. In April, the civilian unemployment rate edged up to 5.4 percent.

Industrial production declined in April, reflecting a cutback in the manufacture of motor vehicles that was intended to bring inventories of new cars into better balance with sales. Industrial activity had been buffeted by a variety of transitory influences in previous months, including strike activity in the aircraft industry, inventory adjustments in the motor vehicle industry, and unusual winter weather patterns that had affected the energy output of utilities; nevertheless, production in April was about unchanged from the levels of last December and a year earlier. Total industrial capacity utilization slipped in April after a small rise in March; operating rates in manufacturing had trended down over the twelve months ending in April as capacity increased while production remained about unchanged.

Real personal consumption expenditures edged lower in March, reversing a small net rise in the two previous months. Spending for goods was weak on balance over the three-month period, especially for food and apparel items; outlays for services continued to be robust, with notably strong gains for spending on medical care. Retail sales fell in April as a result of reduced purchases of motor vehicles, but upward revisions to data for the two previous months suggested a little more strength in consumption in the first quarter than had been indicated previously. Housing starts fell sharply in March after surging earlier in the year. The March decline likely reflected the effect of higher mortgage interest rates along with some payback for unusually strong housing construction activity in the two previous months of atypically mild winter weather.

Business capital spending strengthened in the first quarter of 1990 from a temporarily depressed fourth-quarter level. Outlays for nondefense capital goods rose sharply, partly as a result of a rebound in shipments of aircraft to domestic firms after a strike late in the fourth quarter. Spending for information-processing equipment, notably computers, also increased while acquisitions of industrial equipment continued to languish. New orders for business equipment other than aircraft advanced at a slower pace in the first quarter. Favorable weather aided nonresidential construction activity in January and February; however, the pace of construction activity fell off in March, and construction permits and contracts continued to trend down. Manufacturing inventories were reduced considerably in February and March as factory shipments rebounded; declines were widespread among producers of durable goods, primary metals, fabricated metal products, nonelectrical machinery, and motor vehicles. For most industries, the inventory-to-shipments ratio was lower in March than at year-end. At the retail level, many types of establishments, including auto dealers, retail apparel, and general merchandise stores had trimmed their inventories substantially.

The nominal U.S. merchandise trade deficit narrowed in February as imports declined sharply and exports were little changed from January levels. For the January–February period, exports were moderately higher than in the fourth quarter, led by a rebound in shipments of aircraft. Over the same time period, the value of imports fell; a sizable decline in non-oil imports that was widespread across commodity categories outweighed higher imports of oil associated with the rebuilding of stocks depleted during the unusually cold weather in December. Indicators of economic activity in the major foreign industrial nations suggested a continuation of moderate growth in real economic activity in most major West European countries and Japan. Declines in industrial production in the United Kingdom and Canada appeared to be signaling some slowing of economic growth in these countries.

Producer prices for finished goods dropped somewhat further in April, reflecting additional unwinding of the earlier surge in prices of food and energy. Producer prices for items other than food and energy had increased through April at a slower rate than in 1989. By contrast, consumer prices continued to rise in March at a faster pace than in 1989. Weather-related jumps in prices of food and energy accounted for much of the pickup in consumer price inflation in the first quarter, but prices for a wide range of other goods and services also increased more rapidly. Labor compensation, as measured by the employment cost index, rose at a faster rate over the twelve months ended in March than in the year-earlier period; wage increases remained fairly stable, but the cost of benefits jumped, only partly because of the January hike in social security taxes. Average hourly earnings increased a little more slowly in April, partly reflecting a sharp drop in employment in the relatively high-wage construction industry.

At its meeting on March 27, 1990, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include any presumption regarding the likely direction of any intermeeting adjustments in policy. The Committee agreed that some firming or easing in reserve conditions would be appropriate during the intermeeting period depending on progress toward price stability, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. With unchanged reserve conditions, M2 and M3 were expected to grow at annual rates of about 6 and 4 percent respectively over the period from March through June.

Open market operations in the interval since the March 27 meeting had been directed at keeping reserve conditions essentially unchanged. Adjustment plus seasonal borrowing levels moved up to about $300 million by the end of the intermeeting period from the $150 million range prevailing initially, reflecting a normal rise in seasonal borrowing. The federal funds rate remained in the vicinity of 8¼ percent over the period, although funds generally had traded a little below this level since late April as shortfalls in federal tax receipts tended to keep nonborrowed reserves at higher-than-expected levels. Responding to shifting sentiment regarding the strength of the economy, inflation prospects, and the likelihood of a near-term tightening of monetary policy, other market interest rates initially rose in the intermeeting period and then fell sharply. Short-term rates declined a little on balance over the period while rates in long-term debt markets were somewhat higher.

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. Much of the decline occurred following the release in early May of weaker-than-expected U.S. employment data for

April and the related drop in U.S. interest rates. Foreign interest rates showed mixed movements over the intermeeting period; the Japanese stock market rebounded substantially from its low in early April. The dollar was weak against the German mark, which strengthened against most currencies as developments appeared to relieve some concerns about the outlook for inflation in Germany. Very late in the intermeeting period the dollar weakened against the yen as well.

Growth of M2 slowed further in April; the expansion of this aggregate was damped by the sizable opportunity costs of holding retail deposits as interest rates offered on these accounts continued to lag behind earlier increases in market rates. At thrift institutions, conservative rate-setting reflected the ongoing contraction of their funding needs during a period of asset reduction. Banks also held down their deposit rates, as inflows of retail deposits were proving sufficient to fund credit expansion. The apparently steeper contraction of thrift assets, along with slow credit expansion at banks, held down overall needs for funds at depository institutions and resulted in relatively weak M3 growth in April. Expansion of M2 and M3 through April was a little above the midpoint and around the lower end respectively of the ranges established by the Committee for 1990.

The staff projection prepared for this meeting suggested that the economy was likely to expand at a moderate pace over the balance of the year. Consumer demand, especially for services, was expected to be a major source of support for continued growth of the economy. Business capital spending was projected to increase further in 1990, but the extent of the rise could be limited somewhat by low profit margins associated with relatively slow growth in final demands and lower levels of capacity utilization. Nonresidential construction activity was expected to be held down by the overbuilt condition of many commercial real estate markets around the country along with greater caution on the part of lenders. Homebuilding was projected to be damped by the somewhat higher mortgage rates now in place. Net exports of goods and services were expected to increase only modestly in real terms over the rest of the year. The projection assumed moderate restraint on expenditures at all levels of government. Price inflation was expected to ease substantially in the months ahead, following the bulge earlier in the year; but little improvement was anticipated in the underlying trend of inflation over the next several quarters, and reductions in price pressures might ultimately involve some additional pressures in financial markets.

In the Committee's discussion of the economic situation and outlook, members generally agreed that the current information on business conditions pointed on balance to relatively moderate but sustained economic expansion. Final demands appeared to be expanding further, though not rapidly, and available information suggested that business inventories were quite lean. Fiscal policy was an important source of uncertainty in the outlook, though there was some basis for optimism in light of the discussions on deficit reductions that were just getting under way between the Administration and the Congress. Credit conditions constituted another major area of uncertainty; there were reports of tighter lending constraints, but the evidence was fragmentary and difficult to assess and on balance seemed to indicate that the effect on the overall economy remained quite limited. Under circumstances in which the economy seemed likely to retain appreciable forward momentum, many members were concerned about the outlook for inflation, given currently high levels of resource utilization and information on cost and price developments earlier in the year. Recent data suggested some relief from the bulge in prices in the first quarter; whether underlying inflationary pressures had intensified was debatable, but the members generally agreed that the prospects for significant reductions in inflation pressures during the quarters immediately ahead were not promising.

With regard to developments in specific sectors of the economy, members expected growth in consumer spending, notably for services, to continue to provide the principal momentum for the expansion. Exports also might expand, given the outlook for continuing growth in other industrial countries, the prospects for increasing, if still limited, demands from Eastern Europe, and more generally the lagged effects of the sizable decline in the exchange value of the dollar from its 1989 high. The outlook for business investment expenditures was less clear; recent indicators such as new orders for capital equipment and surveys of business investment plans suggested continuing expansion—and possibly some quickening over the near term—in spending for plant and equipment. However, the outlook for office and other commercial building activity appeared less favorable in light of the overbuilding in many areas and indications of tighter constraints on the availability of credit to builders. The prospects for housing construction also were adversely affected by these factors as well as the effects of higher mortgage rates. Members commented that outside the commercial building and real estate sectors and apart from lending to finance equity retirements, there was little evidence of more than a mild, if any, curtailment of credit to business firms in most parts of the country. To a considerable extent, the retrenchment in business lending appeared to reflect desirable reassessments of credit risks or reduced demand for financing. Nonetheless, the possibility that lenders might restrict credit further and to a wider range of borrowers remained a potential constraint on aggregate economic activity. Currently low levels of business inventories could be viewed as an element of strength in the outlook, but limited inventories also implied that, if aggregate demands were to strengthen materially, production could accelerate considerably and add to pressures on productive resources, especially given high levels of resource utilization in the United States and apparently in many other industrial nations.

With regard to the outlook for prices and wages, the most recently available data on economic activity and prices had tended to ease concerns that inflationary pressures might be intensifying. Producer prices for finished goods had edged lower in recent months, and other key measures of inflation were expected to show reduced increases over the months ahead as sharp earlier advances in food and energy prices continued to unwind. Nonetheless, there was some risk that the core rate of inflation, excluding swings in food and energy prices, might edge higher at current levels of resource utilization. In this regard, some members commented that increases in labor compensation costs had tended to accelerate in recent quarters and that conditions in labor markets continued tight in many parts of the country. Prices of many services, notably for health care, were still increasing very rapidly. Commodity prices had been under sporadic upward pressure and remained substantially above earlier levels. The decline in the value of the dollar to its lowest level since late 1988 on a weighted-average basis, if sustained, could reverse the favorable effects of earlier dollar appreciation. Other members acknowledged the potential for a persisting high rate of inflation, but they continued to anticipate some progress toward a lower core rate of inflation over time if their expectations of relatively moderate growth in economic activity were realized. In support of this view, it was noted that competition remained strong in many markets for goods, including competition from imports, and ongoing additions to capacity in some key industries experiencing strong demand would help to hold down inflationary cost pressures. In addition, the expansion of M2 at a relatively subdued pace over an extended period suggested that monetary conditions were consistent with progress toward reducing inflation.

Turning to the conduct of monetary policy in the intermeeting period ahead, nearly all of the members supported a proposal to maintain unchanged conditions of reserve availability at least initially following today's meeting. The members generally agreed that unchanged reserve conditions could reasonably be expected to be associated with continued moderate expansion in business activity. At the same time, they remained concerned about the lack of progress against inflation, and some commented that the need to contain and ultimately to reduce inflation might well require a firming of policy at some point. Price stability, it was emphasized, was a vital objective of monetary policy and was essential to the achievement of overall objectives for the economy. However, recent data on the economy and prices provided some comfort that inflation pressures were not building, and there were some downside risks to the economic outlook stemming from conditions in financial markets. Growth of the monetary aggregates had slowed appreciably and, while there was considerable uncertainty, credit conditions also could be tightening with potential effects on spending. Partly in light of these developments, some members stressed that it was too soon to conclude that current monetary policy would not have desired anti-inflationary effects. Under these circumstances, all but one member favored the retention of unchanged reserve conditions, pending additional information that might tilt the risks toward greater price pressures or a weaker economy.

In the course of this discussion, members referred to a staff analysis that concluded that, on the assumption of an unchanged degree of reserve pressure, growth of both M2 and M3 was likely to accelerate somewhat from the recent pace, with the cumulative expansion of M3 moving that aggregate more comfortably within the Committee's range for the year. Several members observed that while the slower growth of M2 and M3 might be explained at least in part by temporary developments, notably the sluggish adjustment of deposit interest rates to earlier increases in short-term market rates and perhaps the effects of large swings in deposit balances associated with April tax payments, a failure of such growth to pick up could be a matter of increasing concern; in particular, persisting sluggishness in monetary growth might reflect a combination of underlying weakness in the demand for loans in a softening economy and growing constraints on the availability of credit to potential borrowers. However, given the volatility of monetary growth rates, members believed it was premature to reach a firm conclusion on this issue. Moreover, despite its slowing in recent months, growth of M2 for the year to date was close to the midpoint of the Committee's range, reflecting relatively robust expansion in late 1989 and early 1990.

With respect to possible adjustments in the degree of reserve pressure during the period before the next Committee meeting in early July, a majority of the members expressed a preference for a directive that did not bias prospective operations toward tightening or easing but made an intermeeting adjustment, if any, equally likely in either direction, depending on economic and financial developments and the behavior of the monetary aggregates. Other members preferred a directive that was tilted toward possible tightening, given their desire to respond promptly to any indications of greater inflationary pressures and their judgment that in the current inflationary environment the next policy move was likely to be in the tightening direction. Some of these members commented that such a bias in the directive would tend, as it became known, to enhance the credibility of the System's anti-inflationary policy and help to make that policy more effective over time. However, given the risks to the economy and the uncertainties in the outlook, these members also could accept a symmetric directive with regard to intermeeting adjustments.

At the conclusion of the Committee's discussion, all except one member indicated that they preferred or could accept a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include any presumption about the likely direction of adjustments in policy, if any, during the intermeeting period. With regard to the factors that were important in considering the need for any intermeeting changes in reserve conditions, the Committee continued to give primary weight to those bearing on the inflation outlook. Accordingly, slightly more or slightly less pressure on reserve positions would be appropriate during the period ahead depending on progress toward price stability, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The maintenance of steady reserve conditions was expected to be consistent with somewhat slower monetary expansion in the current quarter than the members had anticipated at the time of the March meeting, including growth of M2 and M3 at annual rates of about 4 and 3 percent respectively over the three-month period ending in June. The intermeeting range for the federal funds rate, which provides one mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, was left unchanged at 6 to 10 percent.

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

The information reviewed at this meeting suggests that economic activity is continuing to expand moderately. Total nonfarm payroll employment increased more slowly in March and April after sharp advances earlier in the year; its average growth thus far this year has been above that in the second half of 1989, in part because of the hiring of temporary workers for the census. In April, the civilian unemployment rate moved up to 5.4 percent. Industrial production declined in April, reflecting what appears to be a temporary cutback in the manufacture of motor vehicles. Consumer spending has been sluggish on balance in recent months; outlays for goods have been weak while expenditures for services have remained strong. Business spending for equipment has been rising, but construction activity, both residential and nonresidential, appears to have weakened after a temporary boost early in the year. The nominal U.S. merchandise trade deficit narrowed somewhat in January and February from its average rate in the fourth quarter. Consumer prices continued to rise at a faster pace in March than in 1989; producer prices were down somewhat further in April, reflecting additional unwinding of the earlier surge in prices of food and energy. The latest data on employment costs suggest some deterioration in underlying trends.

Short-term interest rates have declined a little on balance since the Committee meeting on March 27, while rates in long-term debt markets have risen slightly over the period. 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.

Growth of M2 slowed in April and that of M3 remained relatively weak. Through April, expansion of M2 and M3 was a little above the midpoint and around the lower end, respectively, of the ranges established by the Committee for 1990.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives, the Committee at its meeting in February established ranges for growth of M2 and M3 of 3 to 7 percent and 2½ to 6½ percent respectively, measured from the fourth quarter of 1989 to the fourth quarter of 1990. The monitoring range for growth of total domestic nonfinancial debt was set at 5 to 9 percent for the year. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. Taking account of progress toward price stability, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, slightly greater reserve restraint or slightly lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from March through June at annual rates of about 4 and 3 percent respectively. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 6 to 10 percent.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Boehne, Boykin, Johnson, Kelley, LaWare, Ms. Seger, and Mr. Stern. Vote against this action: Mr. Hoskins.

Mr. Hoskins dissented because he preferred a tightening of reserve conditions to help assure that progress would be made toward a reduced rate of inflation and the Committee's ultimate objective of price stability. Although price pressures appeared to be receding from the pace of early in the year, inflation remained too high. He recognized that M2 growth had slowed and there were potential financial developments that might have adverse consequences for the expansion, but he believed that growth of M2 in the bottom half of the 1990 target range would be desirable in order to achieve a gradual reduction in inflation in 1991 and thereafter. Moreover, a timely move toward greater monetary restraint would enhance the credibility and effectiveness of monetary policy in countering the persisting strength of inflationary pressures.

Legal Developments

AMENDMENT TO REGULATION T

The Board of Governors is amending 12 C.F.R. Part 220, its Regulation T, to clarify that broker–dealers may purchase debt securities from an issuer for resale pursuant to Securities and Exchange Commission Rule 144A and may make markets in such securities under the investment banking service exception to the arranging section in Regulation T. The interpretation is necessary to avoid frustrating the goals of the SEC in adopting Rule 144A. It will eliminate the uncertainty broker–dealers might have that compliance with the procedures laid out in Rule 144A could result in a violation of section 7(c) of the Securities Exchange Act of 1934 and Regulation T adopted thereunder.

Effective July 16, 1990, 12 C.F.R. Part 220 is amended as follows:

Part 220—Credit by Brokers and Dealers

1. The authority citation for Part 220 continues to read as follows:

Authority: Sections 3, 7, 8, 17, and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78c, 78g, 78h, 78q, and 78w).

2. Section 220.131 is added to read as follows:

Section 220.131—Application of the arranging section to broker–dealer activities under SEC Rule 144A

(a) The Board has been asked whether the purchase by a broker–dealer of debt securities for resale in reliance on Rule 144A of the Securities and Exchange Commission (17 C.F.R. 230.144A)[1] may be considered an arranging of credit permitted as an "investment banking service" under section 220.13(a) of Regulation T.

(b) SEC Rule 144A provides a safe harbor exemption from the registration requirements of the Securities Act of 1933 for resales of restricted securities to "qualified institutional buyers," as defined in the rule. In general, a "qualified institutions buyer" is an institutional investor that in the aggregate owns and invests on a discretionary basis at least $100 million in securities of issuers that are not affiliated with the buyer. Registered broker–dealers need only own and invest on a discretionary basis at least $10 million of securities in order to purchase as principal under the rule. Section 4(2) of the Securities Act of 1933 provides an exemption from the registration requirements for "transactions by an issuer not involving any public offering." Securities acquired in a transaction under Section 4(2) cannot be resold without registration under the Act or an exemption therefrom. Rule 144A provides a safe harbor exemption for resales of such securities. Accordingly, broker–dealers that previously acted only as agents in intermediating between issuers and purchasers of privately-placed securities, due to the lack of such a safe harbor, now may purchase privately-placed securities from issuers as principal and resell such securities to "qualified institutional buyers" under Rule 144A.

(c) The Board has consistently treated the purchase of a privately-placed debt security as an extension of credit subject to the margin regulations. If the issuer uses the proceeds to buy securities, the purchase of the privately-placed debt security by a creditor represents an extension of "purpose credit" to the issuer. Section 7(c) of the Securities Exchange Act of 1934 prohibits the extension of purchase credit by a creditor if the credit is unsecured, secured by collateral other than securities, or secured by any security (other than an exempted security) in contravention of Federal Reserve regulations. If a debt security sold pursuant to Rule 144A represents purpose credit and is not properly collateralized by securities, the statute and Regulation T can be viewed as preventing the broker–dealer from taking the security into inventory in spite of the fact that the broker–dealer intends to immediately resell the debt security.

(d) Under section 220.13 of Regulation T, a creditor may arrange credit it cannot itself extend if the

1. Rule 144A, 17 C.F.R. 230.144A, was originally published in the *Federal Register* at 55 *Federal Register* 17,933 (April 30, 1990).

arrangement is an "investment banking service" and the credit does not violate Regulations G and U. Investment banking services are defined to include, but not be limited to, "underwritings, private placements, and advice and other services in connection with exchange offers, mergers, or acquisitions, except for underwritings that involve the public distribution of an equity security with installment or other deferred-payment provisions." To comply with Regulations G and U where the proceeds of debt securities sold under Rule 144A may be used to purchase or carry margin stock and the debt securities are secured in whole or in part, directly or indirectly by margin stock (see 12 C.F.R. 207.2(f), 207.112, and 221.2(g)), the margin requirements of the regulations must be met.

(e) The SEC's objective in adopting Rule 144A is to achieve "a more liquid and efficient institutional resale market for unregistered securities." To further this objective, the Board believes it is appropriate for Regulation T purposes to characterize the participation of broker-dealers in this unique and limited market as an "investment banking service." The Board is therefore of the view that the purchase by a creditor of debt securities for resale pursuant to SEC Rule 144A may be considered an investment banking service under the arranging section of Regulation T. The market-making activities of broker-dealers who hold themselves out to other institutions as willing to buy and sell Rule 144A securities on a regular and continuous basis may also be considered an arranging of credit permissible under section 220.13(a) of Regulation T.

AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority, to delegate to the Staff Director of the Division of Banking Supervision and Regulation the authority to approve issuance of the list of foreign margin stocks and to conform the reference in paragraph (18) to the recent revision of Regulation T (12 C.F.R. Part 220).

Effective July 18, 1990, 12 C.F.R. Part 265 is amended as follows:

Part 265—Rules Regarding Delegation of Authority

1. The authority citation for Part 265 continues to read as follows:

Authority: Sec. 11(k), 38 Stat. 261 and 80 Stat. 1314; 12 U.S.C. 248(k).

2. Section 265.2 is amended by revising paragraph (c)(18) to read as follows:

Section 265.2—Specific functions delegated to Board employees and to Federal Reserve Banks

* * * * *

(c) * * *

(18) Under the provisions of sections 207.6(d), 220.17(f), and 221.7(d) of this chapter (Regulations G, T, and U, respectively) to approve issuance of the lists of OTC margin stocks and foreign margin stocks and to add, omit, or remove any stock in circumstances indicating that such change is necessary or appropriate in the public interest.

Orders Issued Under Section 3 of the Bank Holding Company Act

Capital InterAmerica Bancorp New York, New York

Order Approving Formation of a Bank Holding Company

Capital InterAmerica Bancorp ("Capital"), New York, New York, has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1841), to become a bank holding company by acquiring 100 percent of the voting shares of New York Capital Bank N.A. ("Bank"), New York, New York.

Bank was formed to purchase certain assets and assume substantially all of the deposits of Capital National Bank ("CNB"), New York, New York. CNB has been declared insolvent by the Office of the Comptroller of the Currency. In view of this situation and the need for immediate action to prevent the disruption of service to CNB's depositors, the Board has determined, pursuant to section 3(b) of the BHC Act (12 U.S.C. § 1842(b)), section 225.14(h) of Regulation Y (12 C.F.R. 225.14(h)), and section 262.3(l) of the Board's Rules of Procedure (12 C.F.R. 262.3(l)), to dispense with the notice provisions of the BHC Act and to act immediately on the application.

Capital is a non-operating company formed for the purpose of acquiring Bank. Bank is one of the smaller commercial banking organizations in New York, controlling deposits of $145.8 million, representing less than 1 percent of total deposits in commercial banking organizations in the State.[1] Consummation of the proposal would not result in any significantly adverse effects on the concentration of banking resources in New York.

Bank competes in the Metropolitan New York-New Jersey banking market,[2] and its deposits represent less than 1 percent of the total deposits in commercial banking organizations in the market. Principals of Capital and Bank are not associated with any other banking organization in the market. Based on the facts of record, consummation of this proposal would not result in any adverse effects upon competition or increase the concentration of banking resources in any relevant market. Accordingly, the Board concludes that competitive considerations are consistent with approval of this application.

In light of the capital that the principal shareholders of Capital propose to provide to Bank and other commitments, the financial and managerial resources and future prospects of Capital and Bank are consistent with approval. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

Based on the foregoing and other facts of record, the Board's General Counsel and the Acting Staff Director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated to them by the Board, have determined that the application should be, and hereby is, approved. The transaction may be consummated immediately but in no event later than three months after the effective date of this Order unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York acting pursuant to delegated authority.

By order of the General Counsel and the Acting Staff Director of the Division of Banking Supervision and Regulation, effective July 6, 1990.

JENNIFER J. JOHNSON
Associate Secretary of the Board

1. Banking data are as of March 30, 1990. Market data are as of June 30, 1988.

2. The Metropolitan New York-New Jersey banking market includes New York City; Nassau; Orange, Putnam, Rockland, Suffolk, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; and parts of Fairfield County in Connecticut.

Cho Hung Bank
Seoul, Korea

Order Approving Formation of a Bank Holding Company

Cho Hung Bank, Seoul, Korea ("Applicant"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1842(a)(1)) ("BHC Act"), to become a bank holding company by acquiring all of the outstanding voting shares of Cho Hung Bank of New York, New York, New York ("Bank").

Notice of the application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the BHC Act (55 *Federal Register* 11,652 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act (12 U.S.C. § 1842(c)).

Applicant, with total banking assets of approximately $16.5 billion, is the sixth largest banking institution in Korea and the 224th largest commercial bank in the world.[1] Applicant has 239 offices in Korea and operates nine overseas offices, including a branch in New York, an agency in San Francisco, and a limited branch in Chicago.

Bank, a *de novo* state-chartered institution, would provide banking services to small and medium-size businesses and retail customers in the Metropolitan New York-New Jersey banking market.[2] In view of the *de novo* status of Bank and based upon the facts in the record, the Board concludes that the proposed transaction will have no adverse effect on existing or probable future competition, nor will it increase the concentration of resources in any relevant market.

Section 3(c) of the BHC Act requires in every case that the Board consider the financial resources of the applicant and the banking organization to be acquired. In this case, the Board notes that the stated primary capital ratio of Applicant is in conformance with the capital guidelines established by the Board for bank holding companies. Further, Applicant's capital meets the 1990 interim risk-based guidelines, and exceeds the 1992 minimum standard adopted by the Basle Commit-

1. Asset data are as of December 31, 1989, and ranking data are as of December 31, 1988.

2. The Metropolitan New York-New Jersey banking market includes New York City; Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; and parts of Fairfield County in Connecticut. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), this market is considered unconcentrated.

tee on Banking Regulation and Supervisory Practices. In view of these and other facts of record, the Board has determined that financial factors are consistent with approval of the application.

The managerial resources and future prospects of Applicant are consistent with approval. The Board has also determined that considerations relating to the convenience and needs of the community to be served are consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that consummation of the proposed transaction would be consistent with the public interest. Accordingly, the Board has determined that the application should be, and hereby is, approved. The acquisition of Bank shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, and Bank shall be opened for business within six months after the effective date of this Order, unless such periods are extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

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

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Banc One Corporation
Columbus, Ohio

Order Approving Application to Engage in Underwriting and Dealing in Certain Securities to a Limited Extent and in Other Securities Related Activities

Banc One Corporation, Columbus, Ohio ("Banc One"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) for its wholly owned subsidiary, Banc One Capital Corporation, Columbus, Ohio ("Company"),[1] to engage to a limited extent in underwriting and dealing in:

(1) municipal revenue bonds, including certain industrial development bonds;
(2) 1–4 family mortgage-related securities;
(3) commercial paper; and
(4) consumer-receivable-related securities ("CRRs") (collectively "ineligible securities").

Banc One has also applied for Company to:
(1) offer futures commission merchant services, pursuant to sections 225.25(b)(18) and (b)(19) of the Board's Regulation Y (12 C.F.R. 225.25(b)(18) and (b)(19));
(2) provide advice in connection with mergers, acquisitions, divestitures, recapitalizations, and financing transactions; perform valuation services; render fairness opinions in connection with mergers, acquisitions, and similar transactions; and offer advice in connection with the structuring and arranging for loan syndications, interest rate swaps, interest rate caps, and similar transactions (collectively, "financial advisory services"); and
(3) underwrite and deal in securities that state member banks are permitted to underwrite and deal in under section 16 of the Banking Act of 1933 (the "Glass–Steagall Act") (12 U.S.C. §§ 24 (Seventh) and 335) (hereinafter "bank-eligible securities"), as permitted by section 225.25(b)(16) of the Board's Regulation Y (12 C.F.R. 225.25(b)(16)). Banc One also proposes that Company provide investment advisory and brokerage activities separately and on a combined basis subject to conditions established by the Board.[2]

Banc One, with approximately $40.6 billion in assets, is the second largest commercial banking organization in Ohio.[3] It operates 54 subsidiary banks and engages directly and through subsidiaries in a broad range of permissible nonbanking activities in the United States.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (55 *Federal Register* 10,827 (1990)). The time for filing comments has expired, and the Board has considered the application and all

1. Banc One would commence these activities through its acquisition of Meuse, Rinker, Chapman, Endres & Brooks, Columbus, Ohio ("Meuse, Rinker"), a full service broker–dealer.
2. *See* 12 C.F.R. 225.25(b)(4) and (15); *Bank of New England Corporation*, 74 *Federal Reserve Bulletin* 700 (1988); and *PNC Financial Corp*, 75 *Federal Reserve Bulletin* 396 (1989).
3. Asset data are as of March 31, 1990. Ranking, based on deposits, is as of December 31, 1989.

comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Underwriting and Dealing in Ineligible Securities

The Board has previously determined by order that the conduct of the proposed ineligible securities underwriting and dealing activity is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided the underwriting subsidiary derives no more than 10 percent of its total gross revenue from underwriting and dealing in the approved securities over any two-year period.[4] The Board further found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interest, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. Banc One has committed to conduct its ineligible underwriting and dealing activities subject to the 10 percent revenue test and the prudential limitations established by the Board in its previous Orders.[5]

Full-Service Brokerage Activities

The Board has previously determined that providing full-service securities brokerage services to both institutional and retail customers is closely related to banking, and a proper incident to banking under section 4(c)(8) of the BHC Act, and does not violate the Glass–Steagall Act.[6]

Under this proposal, Company would provide full-service brokerage services to institutional and retail customers with respect to ineligible securities that Company may hold as principal in connection with its authorized underwriting and dealing activities. In connection with this activity, Banc One has made commitments regarding disclosure that have been approved by the Board in previous Orders.[7]

Specifically, Banc One has committed to provide full and appropriate disclosure of its interest in any transaction, as required by securities laws and fiduciary principles. Company will inform each brokerage/advisory customer at the commencement of the customer relationship that, as a general matter, Company might be a principal, or might be engaged in an underwriting, with respect to, or might purchase from an affiliate, those securities for which brokerage/advisory services are being provided. At the time a brokerage order is being taken, the customer will be informed whether Company is acting as agent or as principal with respect to the security. Confirmations sent to customers also will state whether Company is acting as agent or principal.

Moreover, Company will conduct its brokerage and advisory activities within the same framework approved by the Board in *Bank of New England Corporation*. Thus, Banc One has committed that, before providing any brokerage or advisory services to customers, Company will prominently disclose in writing to each such customer that Company is not a bank and is separate from any affiliated bank, and that the securities sold, offered, or recommended by Company are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by

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4. *Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation*, 73 *Federal Reserve Bulletin* 473 (1987) ("*Citicorp/Morgan/Bankers Trust*"), *aff'd sub nom.*, *Securities Industry Association v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 108 S. Ct. 2830 (1988) ("*SIA v. Board*"); and *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation and Security Pacific Corporation*, 73 *Federal Reserve Bulletin* 731 (1987) ("*Chemical*"); as modified by *Order Approving Modifications to Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989) ("*Modification Order*").

5. The industrial development bonds approved for Banc One in this case are only those tax-exempt bonds in which the governmental issuer, or the governmental unit on behalf of which the bonds are issued, is the owner for federal income tax purposes of the financed facility (such as airports, mass commuting facilities, and water pollution control facilities). Without further approval from the Board, Company may underwrite and deal in only these types of industrial development bonds, except as permitted by this Order.

Company may also provide services that are necessary incidents to these approved activities. Any activity conducted as a necessary incident to the ineligible securities activity must be treated as part of the ineligible securities activity unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activity independently. Until such approval is obtained, any revenues from the incidental activity must be counted as ineligible revenue subject to the 10 percent gross revenue limit set forth in *Citicorp/Morgan/Bankers Trust* and *Modification Order*. This 10 percent gross revenue limit should be calculated in accordance with the method stated in *J.P. Morgan & Company, Incorporated, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, and Security Pacific Corporation*, 75 *Federal Reserve Bulletin* 192 (1989). Thus, to determine compliance with this limitation during the first two-year period in which the underwriting subsidiary engages in ineligible securities underwriting and dealing activities, revenues from these ineligible securities activities for each quarter during this two-year period, when added to the revenues from ineligible activities for each previous quarter during the period, may not exceed 10 percent of the subsidiary's total gross revenues for that quarter and all previous quarters during the two-year period. For each quarter after the first two years of operation, revenues from ineligible securities underwriting and dealing activities for that quarter, when added to the gross revenues from ineligible securities activities for the previous seven quarters, may not exceed 10 percent of total gross revenues of the subsidiary for that quarter and the previous seven quarters. Gross revenues for the period would be calculated under generally accepted accounting principles.

6. *Bank of New England Corporation*, 74 *Federal Reserve Bulletin* 700 (1988); *Bankers Trust New York Corporation*, 74 *Federal Reserve Bulletin* 695 (1988); and *PNC Financial Corp*, 75 *Federal Reserve Bulletin* 396 (1989).

7. *PNC Financial Corp*, 75 *Federal Reserve Bulletin* at 397–398; *Bankers Trust New York Corporation*, 74 *Federal Reserve Bulletin* at 696–698.

an affiliated bank, and are not otherwise an obligation of an affiliated bank, unless such is in fact the case.[8]

Financial Advisory Services

Applicant has applied to provide financial advisory services previously approved by the Board in *Signet Banking Corporation*, 73 *Federal Reserve Bulletin* 59 (1987). Applicant would conduct its financial advisory activities in compliance with the conditions required by the Board in its prior Orders. *See Canadian Imperial Bank of Commerce*, 74 *Federal Reserve Bulletin* 571 (1988). Applicant proposes to offer these services to financial and nonfinancial institutions and individuals whose net worth (or joint net worth with a spouse) exceeds one million dollars. The Board believes that the provision of financial advisory services to high net worth individuals would not result in significant adverse effects since these customers would be financially sophisticated and thus unlikely to place undue reliance on advice received.[9] Accordingly, Company may offer these services to high net worth individuals and financial and nonfinancial institutions.

Director Interlocks

Banc One has requested that the Board permit director interlocks between its section 20 subsidiary and its affiliated banks. Banc One proposes that two directors of its subsidiary banks be permitted to serve on the section 20 subsidiary's board of directors, which would be composed of five directors. These directors are not officers of the affiliated banks, nor do they have authority to conduct the day-to-day business of the banks or handle individual bank transactions. No officers of the section 20 subsidiary would be employed by the banks. Banc One maintains that these director interlocks would permit appropriate oversight and supervision of its subsidiaries.

The Board has previously permitted interlocks between a banking organization and its affiliated section 20 company.[10] In addition, the Board has requested comment on modifying the section 20 prudential framework to permit interlocks with affiliated banks so long as a majority of the board is not comprised of bank officers or directors. Banc One has agreed to abide by the results of the Board's review. Accordingly, the Board finds that these limited interlocks should be permitted, since it appears that Company would be operationally distinct from its affiliated banks. The Board expects that Banc One will ensure that the framework established pursuant to *Citicorp/Morgan/Bankers Trust* will be maintained in all other respects.[11]

Nonconforming Activities

Banc One's acquisition of Meuse, Rinker represents the first acquisition of a securities firm by a bank holding company as a means to begin the bank-ineligible securities underwriting activity. The fact that Meuse, Rinker is a broker–dealer engaged in activities that would not be permissible for bank holding companies raises the question about nonconforming activities. Upon consummation of this transaction, Meuse, Rinker will have ceased all activities and divested all impermissible assets, with two exceptions, other than those that Banc One has applied in this application to conduct.

Banc One has requested that the Board permit its section 20 subsidiary one year to fulfill existing obligations to underwrite and deal in private purpose industrial development bonds, and six months to fulfill existing obligations to provide private placement services to existing clients. The Board believes that, on the basis of the facts of this case and commitments made by Banc One concerning these activities, it is reasonable to permit Company these limited time periods to complete these transactions and divest impermissible assets in order to fulfill Meuse, Rinker's obligations.[12]

Financial Factors, Managerial Resources and Other Considerations

Consummation of the proposal would provide added convenience to Banc One's customers and would not

8. Moreover, Company proposes to exercise discretionary portfolio management for institutional customers only, subject to the same limitations contained in the Board's *J.P. Morgan & Co. Inc.* Order, 73 *Federal Reserve Bulletin* 810 (1987). Investment advice would be provided on an integrated basis, *i.e.*, Company would not charge an explicit fee for the investment advice and would receive fees only for transactions executed for customers.

9. *See, e.g., Manufacturers Hanover Corporation*, 73 *Federal Reserve Bulletin* 930 (1987).

10. *Canadian Imperial Bank of Commerce, The Royal Bank of Canada, Barclays PLC, and Barclays Bank PLC*, 76 *Federal Reserve Bulletin* 158 (1990) ("*Canadian Imperial*"). As the Board noted in this Order, various proposals to amend the Glass–Steagall Act would not have required a complete prohibition on interlocks.

11. The Board's approval of the proposed underwriting and dealing activities extends only to Company. The activities may not be conducted by Banc One in any other subsidiary without prior Board review. Pursuant to Regulation Y, no corporate reorganization of Company, such as the establishment of subsidiaries of Company to conduct the activities, may be consummated without prior Board approval.

12. The revenue derived from these activities would constitute a small portion of Company's overall revenue. Revenues that Company derives from underwriting and dealing in private purpose industrial development bonds and private placements would be counted as revenues from underwriting and dealing in ineligible securities during the divestiture periods.

significantly decrease competition. With regard to each of the proposed activities, Banc One has committed to adhere to limitations the Board previously has found adequate to address the possibility of adverse effects arising from such activities, and the record does not indicate that the proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or other adverse effects. Accordingly, based upon the facts of record and the commitments made by Banc One regarding the conduct of these activities, the Board has determined that the performance of the proposed activities by Banc One can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing, the Board has determined to, and hereby does, approve the application subject to all the terms and conditions established in this Order and the above-mentioned regulations and orders, except the market share limitation.

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

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

By order of the Board of Governors, effective July 16, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Bancorp Hawaii, Inc.
Honolulu, Hawaii

Order Approving the Acquisition of Savings Associations

Bancorp Hawaii, Inc., Honolulu, Hawaii ("Bancorp"), a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire FirstFed America, Inc., Honolulu, Hawaii ("FirstFed"), a savings and loan holding company, and, pursuant to section 225.25(b)(9) of the Board's Regulation Y (12 C.F.R. 225.25(b)(9)), thereby engage in operating savings associations through FirstFed's subsidiaries, First Federal Savings & Loan Association of America, Honolulu, Hawaii ("FirstFed-Hawaii"), First Savings and Loan Association of America, Dededo, Guam ("FirstFed-Guam"), and FirstFed America Bank, F.S.B., Logan, Utah ("FirstFed-Utah").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 7565 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Section 601 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, § 601, 101 Stat. 183, 408 (1989) (as codified at 12 U.S.C. § 1843(i)) ("FIRREA"), permits the Board to approve an application by a bank holding company to acquire a savings association under section 4(c)(8) of the BHC Act. Pursuant to this authority, the Board has determined that the operation of a savings association is closely related and a proper incident to banking and is permissible for bank holding companies. 12 C.F.R. 225.25(b)(9).[1]

Bancorp, which operates two banking subsidiaries, has total consolidated assets of $8.3 billion and is the largest commercial banking organization in Hawaii.[2] Bancorp also engages through several subsidiaries in permissible nonbanking activities.

FirstFed, a savings and loan holding company, controls total assets of $906.6 million. FirstFed operates one savings association subsidiary in each of Hawaii and Utah and one subsidiary with branches in Guam and Saipan. FirstFed-Hawaii controls total assets of $802.2 million. FirstFed-Utah controls total assets of $38.0 million. FirstFed-Guam controls total assets of $66.4 million in Guam and Saipan.

1. In making this determination, the Board required that savings associations acquired by bank holding companies conform their direct and indirect activities to those activities permissible for bank holding companies under section 4 of the BHC Act. Bancorp proposes to conform all of the direct and indirect activities of FirstFed and FirstFed's subsidiaries to the requirements of section 4 of the BHC Act upon consummation.

2. Asset data are as of December 31, 1989. All other data are as of June 30, 1989, except market specific thrift deposits in Hawaii and market specific banking deposits in Guam and Saipan, which are as of June 30, 1988.

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

The financial and managerial resources and future prospects of Bancorp, its bank subsidiaries, FirstFed, and its savings association subsidiaries are consistent with approval. The Board believes that bank holding companies must maintain adequate capital at savings associations they propose to acquire. In this case, all of the savings association subsidiaries of FirstFed meet or exceed the requisite capital levels. Upon consummation, the Tier 1 capital of each savings association subsidiary of FirstFed, exclusive of all intangible assets, will be equivalent to at least three percent of its total assets. In addition, Bancorp has committed that each of FirstFed's savings association subsidiaries will meet all present and future minimum capital ratios adopted for savings associations by the Office of Thrift Supervision or the Federal Deposit Insurance Corporation.

Upon consummation of the proposed acquisition, Bancorp would control $9.2 billion in deposits in Hawaii, representing approximately 39.8 percent of the total deposits in depository institutions in Hawaii. In the Board's view, consummation of this proposal would not have a significantly adverse effect upon the concentration of banking organizations in Hawaii, Guam, or Saipan.

Bancorp and FirstFed-Hawaii compete directly in all five banking markets in Hawaii,[3] as well as in the Guam and Saipan banking markets. In the Honolulu market,[4] Bancorp is the largest depository institution, controlling deposits of $4.1 billion, representing 35.9 percent of the market deposits.[5] FirstFed-Hawaii is the seventh largest depository institution in the market, controlling deposits of $281.5 million, representing 2.4 percent of the market deposits. Upon consummation of this proposal, Bancorp would control 39.8 percent of the market deposits. The Honolulu banking market is considered to be highly concentrated. Upon consummation of the proposal, the Herfindahl-Hirschman Index ("HHI") would increase by 249 points to 2411.[6]

Bancorp and FirstFed-Hawaii also compete directly in the Maui banking market.[7] Bancorp is the largest of sixteen depository institutions in the market, controlling deposits of $370.0 million, representing 38.2 percent of the market deposits. FirstFed-Hawaii is the sixth largest depository institution in the market, controlling deposits of $18.0 million, representing 1.8 percent of the market deposits. Upon consummation of the proposal, Bancorp would control 41.1 percent of the market deposits. The Maui banking market is considered to be highly concentrated. Upon consummation of the proposal, the HHI would increase by 187 points to 2837.

Although consummation of the proposal would result in the elimination of a competitor in both the Honolulu and Maui banking markets, the Board believes that several factors mitigate the potential anticompetitive effects of this proposal with respect to both markets. The Board notes that, following consummation of the proposal, eighteen commercial banks and five savings associations would remain in the Honolulu market and eleven commercial banks and four savings associations would remain in the Maui market, including the state's larger commercial banking organizations and savings associations. The Board also has considered the presence of savings associations in its analysis of the proposal. The Board previously has indicated that savings associations have become, or have the potential to become, major competitors of commercial banks.[8] In addition, the Board also has considered the strong presence of

3. The following are the banking markets in Hawaii: Honolulu; Maui; East Hawaii Island; West Hawaii Island; and Kauai. The Board currently has under review the definitions of the banking markets in Hawaii in connection with another proposal. That review does not affect the Board's decision on this application.

4. The Honolulu, Hawaii, banking market is approximated by Honolulu County, Hawaii, which is coextensive with the Island of Oahu.

5. The pre-consummation market deposit statistics are based on calculations in which the deposits of FirstFed's savings association subsidiaries and all other savings associations are included at 50 percent. Upon consummation of the proposal, FirstFed would be affiliated with a commercial banking organization. Therefore, on a *pro forma* basis, the deposits of FirstFed's savings association subsidiaries are included at 100 percent, while the deposits of other savings associations continue to be included at 50 percent.

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

7. The Maui banking market is approximated by Maui County, Hawaii, which is coextensive with Island of Maui.

8. *Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *CB&T Bancshares, Inc.*, 75 *Federal Reserve Bulletin* 381 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

credit unions in both the Honolulu and Maui markets.[9] Moreover, FirstFed-Hawaii does not at present engage in commercial lending activities. Consequently, the proposed acquisition would not eliminate a competitor for the provision of commercial loans.

In light of the facts of record, including the number and types of competitors remaining in the market, the role of credit unions in the market, and other mitigating facts of record, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition in either the Honolulu or Maui banking markets.

The Board also has examined the effects of the proposal in the other five banking markets in which Bancorp and FirstFed compete. Although each market is considered to be highly concentrated, the increase in the HHI in each market upon consummation of the proposal, after including 50 percent of the deposits held by savings associations in the calculation of market data, would not exceed the limits provided in the revised Department of Justice Merger Guidelines. In addition, numerous banks and savings associations would remain in most of the markets following consummation of the proposal.[10]

In light of the facts of record, including the number and types of competitors remaining in the markets, the role of credit unions in the markets, and other mitigating facts of record, the Board has concluded that consummation of the proposal is not likely to result in a significantly adverse effect on competition in these markets.

Consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. Accordingly, based upon consideration of all the relevant facts, the Board has determined that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of Bancorp's application to acquire FirstFed.

Accordingly, based on all facts of record, the Board has determined that the application should be, and hereby is, approved. This determination is also subject to all of the conditions established in the Board's Regulation Y, including sections 225.4(d) and 225.23 (12 C.F.R. 225.4(d) and 225.23), and to the Board's authority to require such modifications or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, pursuant to delegated authority.

By order of the Board of Governors, effective July 23, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

9. The number of credit unions per capita and the amount of credit union deposits per capita in Hawaii exceed those of all other states except Alaska.

10. The following data indicate the changes in the market share and HHI upon consummation of the proposal:

In the Guam banking market, Bancorp would control 25.7 percent of the market deposits. The HHI would increase by 108 to 2116.

In the Eastern Hawaii banking market, Bancorp would control 40.9 percent of the market deposits. The HHI would increase by 78 points to 2633.

In the Western Hawaii banking market, Bancorp would control 38.9 percent of the market deposits. The HHI would increase by 131 points to 3068.

In the Kauai banking market, Bancorp would control 40.0 percent of the market deposits. The HHI would increase by 68 points to 3057.

In the Saipan banking market, Bancorp would control 22.4 percent of the market deposits. The HHI would increase by 19 points to 3545.

Creditanstalt-Bankverein
Vienna, Austria

Order Approving Application to Provide Brokerage Services on a Separate Basis, Investment Advisory and Brokerage Services on a Combined Basis, To Buy and Sell Securities on the Order of Investors As "Riskless Principal," and to Provide Certain Corporate Financial Advisory Services

Creditanstalt-Bankverein, Vienna, Austria ("Creditanstalt"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of the Board's Regulation Y (12 C.F.R. 225.23(a)(2)) for its wholly owned subsidiary, Creditanstalt International Advisers, Inc., New York, New York ("Advisers"), to provide investment advisory and securities brokerage services on a combined basis ("full-service brokerage"), to engage in brokerage services separately, to buy and sell all types of securities on the order of investors as a "riskless principal," and to provide corporate financial advisory services.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (55 *Federal Register* 25,173 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Creditanstalt, with consolidated assets equivalent to approximately $49.6 billion, is the largest banking organization in Austria.[1] In the United States, Creditanstalt operates a branch office in New York, a subsidiary providing investment advisory services in California, and a subsidiary providing advisory and portfolio management activities, pursuant to the Board's Regulation K, from offices in New York.

Brokerage Activities

Applicant proposes to provide full-service brokerage services, as well as brokerage services separately. The Board has previously determined by regulation that provision of brokerage services separately is a permissible nonbanking activity for bank holding companies under section 4(c)(8) of the BHC Act.[2] The Board has previously determined by order that full-service brokerage is a permissible nonbanking activity for bank holding companies under section 4(c)(8) of the BHC Act. *The Bank of Tokyo, Ltd.*, 76 *Federal Reserve Bulletin* 654 (1990) ("*Bank of Tokyo*"); *PNC Financial Corporation*, 75 *Federal Reserve Bulletin* 396 (1989)("*PNC*"); *Bankers Trust New York Corporation*, 74 *Federal Reserve Bulletin* 695 (1988) ("*Bankers Trust*"). Creditanstalt proposes to engage in full-service brokerage in accordance with all of the conditions set forth in these orders.

Creditanstalt also proposes that officers of Creditanstalt be permitted to serve as directors of Advisers and that one officer of a U.S. branch or agency of Creditanstalt be permitted to serve as a director of Advisers.[3] The individual from the U.S. branch or agency will not represent Advisers in its dealings with customers, but the interlock would permit Creditanstalt to supervise effectively the operations of Advisers. In light of these facts, Creditanstalt's proposal in this respect is consistent with previous Board orders. *See Bank of Tokyo; The Bank of Nova Scotia*, 74 *Federal Reserve Bulletin* 249 (1988); *National Westminster Bank PLC*, 72 *Federal Reserve Bulletin* 584 (1986). *See also Canadian Imperial Bank of Commerce, The Royal Bank of Canada, Barclays PLC, Barclays Bank PLC*, 76 *Federal Reserve Bulletin* 158 (1990).

Creditanstalt also proposes that Advisers make available its full-service brokerage services to certain retail customers.[4] Creditanstalt has committed to conduct this activity in accordance with the Board's orders approving the combination of investment advisory and securities brokerage services for retail customers. *See, e.g., PNC; Bank of New England Corporation*, 74 *Federal Reserve Bulletin* 700 (1988); *Bankers Trust*.[5]

In addition, Advisers will provide discretionary investment management for institutional customers only, under the same terms and conditions as previously approved by the Board. *See J.P. Morgan and Company, Inc.*, 73 *Federal Reserve Bulletin* 810 (1987). Such discretionary investment management services will not be provided for retail customers.

Financial Advisory Services

Creditanstalt has applied to engage, through Advisers, in the following corporate financial advisory activities:

(1) furnishing general economic information and advice, general economic statistical forecasting services and industry studies;
(2) providing financial advice to state and local governments, such as with respect to the issuance of their securities;
(3) providing advice regarding the structuring of and arranging for loan syndications, interest rate "swaps," interest rate "caps," and similar transactions;
(4) providing advice in connection with financing transactions;
(5) providing valuation services;
(6) providing advice in connection with mergers, acquisitions and divestitures;
(7) rendering fairness opinions in connection with mergers, acquisitions, and similar transactions; and
(8) conducting feasibility studies.

The Board has previously determined by regulation that the first two proposed financial advisory activities are closely related to banking under section 4(c)(8) of

1. Data are as of December 31, 1989.
2. Section 225.25(b)(15) of Regulation Y, 12 C.F.R. 225.25(b)(15).
3. Deposits in the U.S. branch and agencies of Creditanstalt are not insured by the FDIC.
4. These retail customers include Advisers' employees, employees of affiliates, under limited circumstances relatives of employees and employees of affiliates, and individuals with whom Advisers or Creditanstalt has an existing business relationship and who express an interest in such services.
5. Because neither Advisers nor its affiliates will take a position as principal, except as a riskless principal, certain of these disclosure commitments do not apply. *See Bankers Trust*.

the BHC Act.[6] The Board has previously determined by order that the remaining proposed financial advisory activities are closely related to banking under section 4(c)(8) of the BHC Act.[7] Advisers would conduct the financial advisory activities in accordance with the regulation and prior Board orders.[8]

Riskless Principal Activities

The Board has found that, subject to the prudential limitations established in previous cases to address the potential for conflicts of interests, unsound banking practices or other adverse effects, the proposed riskless principal activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[9]

Creditanstalt has committed that Advisers will conduct its riskless principal activities using the same methods and procedures and subject to the prudential limitations established by the Board in the *Bankers Trust II* and *J.P. Morgan* Orders. In this regard, Advisers will maintain specific records that will clearly identify all riskless principal transactions, and Advisers would not engage in any riskless principal transactions for any securities carried in its inventory. When acting as a riskless principal, Advisers would only engage in transactions in the secondary market and not at the order of a customer that is the issuer of the securities to be sold, and would not hold itself out as making a market in the securities that it buys and sells as riskless principal. Moreover, Advisers would not engage in riskless principal transactions with Creditanstalt or any of Creditanstalt's affiliates, including foreign affiliates that engage in securities dealing activities overseas.

6. Sections 225.25(b)(4)(iv) and (v) of Regulation Y, 12 C.F.R. 225.25(b)(4)(iv) and (v).

7. *Scandinavian Bank Group plc*, 75 *Federal Reserve Bulletin* 311 (1989)("*Scandinavian Bank Group plc*"); *SunTrust Banks, Inc.*, 74 *Federal Reserve Bulletin* 256 (1988); *Signet Banking Corporation*, 73 *Federal Reserve Bulletin* 59 (1987)("*Signet*").

8. *See Scandinavian Bank Group plc; Signet*. In addition to committing to comply with the regulation, Creditanstalt has committed that:

(1) Advisers' financial advisory services will not encompass the performance of routine tasks or operations for a customer on a daily or continuous basis.

(2) Disclosure will be made to each potential customer of each company that Advisers is an affiliate of Creditanstalt.

(3) Advice rendered by Advisers on an explicit fee basis will be without regard to correspondent balances maintained by a customer at any depository institution subsidiary of the holding company.

(4) Except as authorized by the respective client, no confidential information received from the client will be made available to the holding company or any of its subsidiaries.

9. *Amsterdam-Rotterdam Bank N.V.*, 76 *Federal Reserve Bulletin* 682 (1990) ("*Amsterdam-Rotterdam*"); *J.P. Morgan & Company Incorporated*, 76 *Federal Reserve Bulletin* 26 (1990)("*J.P. Morgan*"); *Bankers Trust New York Corporation*, 75 *Federal Reserve Bulletin* 829 (1989)("*Bankers Trust II*").

Financial Factors, Managerial Resources and Other Considerations

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

In evaluating these factors under section 4 of the BHC Act, the Board considers the financial condition and resources of Creditanstalt and its subsidiaries and the effect of the proposal on these resources.[10] In this case, the Board notes that the stated primary capital ratio of Creditanstalt meets the minimum capital guidelines for United States multinational bank holding companies. Further, Creditanstalt meets the 1990 interim risk-based guidelines, and its core capital exceeds the 1992 minimum standard adopted by the Basle Committee. In view of these and other facts of record, the Board has determined that financial factors are consistent with approval of the application.

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

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

10. 12 C.F.R. 225.24; *The Fuji Bank Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155, 156 (1987).

to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder.

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

By order of the Board of Governors, effective July 23, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

First Eastern Corporation
Wilkes-Barre, Pennsylvania

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

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

First Eastern proposes to offer, through Company, the following services to institutional customers:

(1) Acting as financial adviser, either on a retainer or success fee basis, to provide corporate finance advisory services, including advice with respect to structuring, financing, and negotiating domestic and international mergers, acquisitions, joint ventures, divestitures, leveraged buyouts, capital raising vehicles, and other corporate transactions, and providing ancillary services or functions incidental to the foregoing activities;

(2) Performing feasibility studies, principally in the context of determining the financial attractiveness and feasibility of particular corporate transactions;

(3) Providing valuation services in connection with the foregoing; and

(4) Providing fairness opinions in connection with the foregoing.

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

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been duly published (55 *Federal Register* 10,496 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

First Eastern, with total consolidated assets equivalent to approximately $2.6 billion, is the ninth largest commercial banking organization in Pennsylvania.[1] It operates two bank subsidiaries and engages in various activities in the United States under section 4(c)(8) of the BHC Act and the Board's Regulation Y, including engaging through Company in securities brokerage and underwriting and dealing in government obligations and money market instruments as permitted by section 4(c)(8) of the BHC Act and sections 225.25(b)(15) and (16) of Regulation Y.

The Board has previously determined by order that the proposed financial advisory activities are closely related to banking and permissible for bank holding companies within the meaning of section 4(c)(8) of the BHC Act, and the Board reaffirms its determinations regarding these activities.[2] First Eastern has committed that Company will conduct its financial advisory activities subject to the conditions relied upon by the Board in previous orders.[3] Accordingly, the Board concludes that the proposed financial advisory activities are closely related to banking.

Similarly, the Board has previously determined by order that acting as agent for the issuer in the private placement of all types of securities is closely related to banking and permissible for bank holding companies within the meaning of section 4(c)(8) of the BHC Act,[4] and the Board reaffirms its determination regarding these activities. First Eastern has committed that Company will conduct its private placement activities in a manner consistent with, and subject to,

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

2. *See, e.g., The Fuji Bank, Limited,* 75 *Federal Reserve Bulletin* 577 (1989); *The Nippon Credit Bank, Ltd.,* 75 *Federal Reserve Bulletin* 308 (1989); *Sovran Financial Corporation,* 73 *Federal Reserve Bulletin* 744 (1987).

3. *See, e.g., The Fuji Bank, Limited,* 75 *Federal Reserve Bulletin* 577 (1989).

4. *See, e.g., First Union Corporation,* 76 *Federal Reserve Bulletin* 174 (1990); *J.P. Morgan & Company Incorporated,* 76 *Federal Reserve Bulletin* 26 (1990); *Bankers Trust New York Corporation,* 75 *Federal Reserve Bulletin* 829 (1989).

the prudential limitations relied upon by the Board in approving this activity.[5]

First Eastern has requested one modification of the *Bankers Trust* commitments that would allow Company to have three of seven directors in common with First Eastern's subsidiary banks.[6] The prohibition against interlocks was originally intended to preclude a member bank from engaging in impermissible securities activities, to prevent common control of the decision-making process within a bank and its securities affiliate, and to protect investors against potential conflicts of interest where one individual is required to advance the differing objectives of a bank and its securities affiliate.

These concerns do not appear to be significant in this application. First, the applicant is not seeking authority to engage in securities underwriting or dealing. The Board has ruled that private placement activities conducted directly by a bank do not constitute "underwriting" or "dealing" in securities because these activities do not involve a "public offering" of the securities and are conducted solely as agent.[7] All of the proposed activities could be performed directly by First Eastern's subsidiary banks. Consequently, in this instance a management interlock is not prohibited by the Glass–Steagall Act. Second, the Board has noted that concerns regarding common control of a bank and a securities affiliate are less significant where, as here, the securities affiliate is engaged in agency activities and where no substantial capital is put at risk. *See Bankers Trust New York Corporation.*[8] Third, because Company has no salesman's stake in the securities it recommends, the potential for conflicts of interest is substantially mitigated. Moreover, it is unlikely that investors would confuse Company with First Eastern's subsidiary banks, because the customers of Company will be sophisticated "accredited investors" and Company's office will be completely separate from any other office of First Eastern or its subsidiaries.

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

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

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

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

For these reasons, and in reliance on the commitments offered in this case, the Board believes that 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 interest, or unsound banking practices. Based on the foregoing and other facts of record, and subject to the commitments made by First Eastern and Company, the Board has determined that the balance of the public interest factors that the Board is required

5. *See Bankers Trust New York Corporation*, 73 *Federal Reserve Bulletin* 138, 152–53 (1987)("*Bankers Trust*"). The *Bankers Trust* commitments were modified in the Board's orders in *The Bank of Montreal*, 74 *Federal Reserve Bulletin* 500 (1988)(quantitative limitations unnecessary), *Bankers Trust New York Corporation*, 75 *Federal Reserve Bulletin* 829 (1989)(placement with "accredited investors" as this term is defined in the Securities Act of 1933), and *The Chase Manhattan Corporation*, 76 *Federal Reserve Bulletin* 658 (1990) (placement of minimum denominations of $100,000).

6. Of the three directors who will serve on the boards of both the banks and Company, two also will serve as officers or employees of First Eastern's subsidiary banks. None will serve as officers or employees of Company.

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

8. 74 *Federal Reserve Bulletin* 695 (1988).

9. 12 C.F.R. 225.24; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155, 156 (1987).

to consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the application is hereby approved. This determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b) (12 C.F.R. 225.4(d) and 225.23(b)), and to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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 Philadelphia, pursuant to delegated authority.

By order of the Board of Governors, effective July 23, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

First Regional Corporation
Hartford, Connecticut

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

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

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

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

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

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

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

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

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

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

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

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

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

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

with the Board's previous Orders approving this activity.[6]

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

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

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

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

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

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

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

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

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

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

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

The Fuji Bank, Limited
Tokyo, Japan

Order Approving Application to Act as a Dealer, Broker, and Advisor With Respect to Interest Rate and Currency Swaps and Related Transactions

The Fuji Bank, Limited, Tokyo, Japan ("Applicant"), a registered bank holding company, has applied for the Board's approval under section 4(c)(8) of the Bank Holding Company Act ("BHC Act"), 12 U.S.C. § 1843(c)(8), and section 225.23(a)(3) of the Board's Regulation Y, 12 C.F.R. 225.23(a)(3), for its wholly owned subsidiary, Fuji Capital Markets Corporation, New York, New York ("Fuji Capital Markets"), to engage *de novo* in the following activities:

(1) Intermediating in the international swap markets by acting as an originator and principal in interest rate swap and currency swap transactions;

(2) Acting as an originator and principal with respect to certain risk-management products such as caps, floors and collars, as well as options on swaps, caps, floors and collars ("swap derivative products");

(3) Acting as a broker or agent with respect to the foregoing transactions and instruments; and

(4) Acting as an advisor to institutional customers regarding financial strategies involving interest rate and currency swaps and swap derivative products.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been duly published (55 *Federal Register* 26,505 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Fuji Bank, with total consolidated assets equivalent to approximately U.S. $403 billion, is the third largest banking organization in the world.[1] Applicant owns a bank subsidiary in New York, New York, and operates branches in New York, New York, and Chicago, Illinois; agencies in Los Angeles, California, Houston, Texas, San Francisco, California, and Atlanta, Georgia; and representative offices in Seattle, Washington, and Atlanta, Georgia. Applicant engages in various activities in the United States under section 4(c)(8) of the BHC Act. Fuji Capital Markets is currently engaged in making and servicing loans, pursuant to section 225.25(b)(1) of the Board's Regulation Y (12 C.F.R. 225.25(b)(1)), acting as an investment and financial adviser, pursuant to section 225.25(b)(4) of the Board's Regulation Y (12 C.F.R. 225.25(b)(4)), and leasing personal or real property, pursuant to section 225.25(b)(5) of the Board's Regulation Y (12 C.F.R. 225.25(b)(5)).

The Board has previously determined by Order that the proposed activities are closely related to banking and permissible for bank holding companies within the meaning of section 4(c)(8) of the BHC Act.[2] The Board must also find that the proposed activities "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Consummation of the proposal may reasonably be expected to result in public benefits in the form of increased competition in the swap market and gains in efficiency and innovation in the provision of these services. The addition of Applicant, through Fuji Capital Markets, will facilitate swap transactions among counterparties that are not equipped to evaluate the credit of potential counterparties and hence will increase the accessibility of swap transactions to additional end-users.[3]

Fuji Capital Markets appears to be capable of managing the risks associated with the proposed activities. Applicant, which has extensive experience in lending and financing services worldwide, has undertaken to provide credit screening for all potential counterparties of Fuji Capital Markets through its credit desk services in Tokyo. In appropriate cases, Fuji Capital Markets will obtain a letter of credit on behalf of, or collateral from, a counterparty.[4] In addition, Fuji Capital Markets will establish separate credit risk exposure limits for each swap counterparty. Fuji Capital Markets will monitor this exposure on an ongoing basis, in the aggregate and with respect to each counterparty. Senior management will be periodically informed of the potential risk to which Fuji Capital Markets is exposed.

In order to manage the risk associated with adverse changes in interest rates ("price risk"), Fuji Capital Markets will match all the swaps and related instruments in which it is a principal and will hedge any unmatched positions pending a suitable match. Fuji

1. Asset data are as of March 31, 1990. Ranking is as of December 31, 1988.

2. *The Sumitomo Bank, Limited*, 75 *Federal Reserve Bulletin* 582 (1989) ("*Sumitomo Bank*").

3. Applicant has proposed that Fuji Capital Markets perform swap services on behalf of affiliates. This activity is permissible under section 4(c)(1)(c) of the BHC Act (12 U.S.C. § 1843(c)(1)(c)). These services would be designed to assist affiliates in hedging their portfolios.

4. Applicant has indicated that it may be the provider of the letter of credit.

Capital Markets will not enter into unmatched or unhedged swaps for speculative purposes. Fuji Capital Markets's management will set absolute limits on the level of risk to which its swap portfolio may be exposed. Fuji Capital Markets's exposure to price risk will be monitored by both business management and internal auditing personnel to guarantee compliance with the risk limitations imposed by management. Auditing personnel will report directly to senior management to ensure that any violations of portfolio risk limitations are reported and corrected.

With respect to the risk associated with the potential for differences between the floating rate indices on two matched or hedged swaps ("basis risk"), Fuji Capital Markets's management will impose absolute limits on the aggregate basis risk to which Fuji Capital Markets's swaps portfolio may be exposed. If the level of risk threatens to exceed the limits at any time, Fuji Capital Markets will actively seek to enter into matching transactions for its unmatched positions. Fuji Capital Markets's internal auditing staff, together with management, will monitor compliance with the management-imposed basis risk limits.[5]

In addition, Fuji Capital Markets intends to minimize operations risk through the recruitment and training of an experienced back-office support staff and the use of a separate operational and data processing structure for processing swap and hedging transactions.

In order to minimize any possible conflicts of interest between Fuji Capital Markets's role as a principal or broker in swap transactions and its role as advisor to potential counterparties, Fuji Capital Markets will disclose to each customer the fact that Fuji Capital Markets may have an interest as a counterparty principal or broker in the course of action ultimately chosen by the customer. Also, in any case in which Fuji Capital Markets has an interest in a specific transaction as an intermediary or principal, Fuji Capital Markets will advise its customer of that fact before recommending participation in that transaction.[6] In addition, Fuji Capital Markets's advisory services will be offered only to sophisticated customers who would be unlikely to place undue reliance on investment advice received and better able to detect investment advice motivated by self-interest.

The Board has expressed its concerns regarding conflicts of interest and related adverse effects that, absent certain limitations, may be associated with financial advisory activities. In order to address these potential adverse effects, Applicant has committed that:

(i) Fuji Capital Markets's financial advisory activities will not encompass the performance of routine tasks or operations for a client on a daily or continuous basis;

(ii) Disclosure will be made to each potential client of Fuji Capital Markets that Fuji Capital Markets is an affiliate of Applicant;

(iii) Fuji Capital Markets will not make available to Applicant or any of Applicant's subsidiaries confidential information received from Fuji Capital Markets's clients, except with the client's consent; and

(iv) Advice rendered by Fuji Capital Markets on an explicit fee basis will be without regard to correspondent balances maintained by a client of Fuji Capital Markets at Applicant or any of Applicant's depository subsidiaries.

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the transaction on these resources. In accordance with the principles of national treatment and competitive equity, the Board has previously stated that it expects foreign banks to meet the same general standards of strength, experience, and reputation as domestic banking organizations, and to be able to serve as a source of strength to their banking operations in the United States.[7] In this case, the primary capital of Applicant, as publicly reported, is below the minimum level specified in the Board's Capital Adequacy Guidelines. After making adjustments to reflect Japanese banking and accounting practices, however, including consideration of a portion of the unrealized appreciation in Applicant's portfolio of equity securities consistent with the principles in the Basle capital framework,[8] Applicant's capital ratio meets United States standards.

The Board also has considered several additional factors that mitigate its concern in this case. The Board notes that Applicant is in compliance with the capital and other financial requirements of Japanese banking organizations. In addition, the Board notes that the capital of Applicant currently accords with the

5. In addition to rate and basis risk, the value of a swap option is subject to market expectations of the future direction and rate of change in interest rates, or volatility risk. Fuji Capital Markets's management will impose absolute limits on the level of volatility risk to which Fuji Capital Markets's swap portfolio may be exposed.

6. In any transaction in which Fuji Capital Markets arranges a swap transaction between an affiliate and a third party, the third party will be informed that Fuji Capital Markets is acting on behalf of an affiliate.

7. *See, e.g., The Dai-Ichi Kangyo Bank, Limited* 76 *Federal Reserve Bulletin* 75 (1990); *Toyo Trust and Banking Co., Ltd.*, 74 *Federal Reserve Bulletin* 623 (1988); *The Mitsubishi Bank, Limited*, 70 *Federal Reserve Bulletin* 518 (1984); *See also* Policy Statement on Supervision and Regulation of Foreign-Based Holding Companies, Federal Reserve Regulatory Service ¶ 4–835 (1979).

8. 54 *Federal Register* 4186 (1989).

minimum requirements established by the Basle Committee's capital framework for year-end 1992. The Board also notes that the application involves nonbanking activities that require a small commitment of capital.

Based on the foregoing and other facts of record, and subject to the commitments made by Applicant, the Board has determined that the public benefits associated with this proposal can reasonably be expected to outweigh possible adverse effects, and that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the application is hereby approved. This determination is further subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

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

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

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

The Hongkong and Shanghai Banking Corporation Hong Kong

Kellett, N.V. Curacao, Netherlands Antilles

HSBC Holdings, B.V. Amsterdam, The Netherlands

Order Approving Application to Engage in Financial and Investment Advisory Services, Securities Brokerage, and Futures Commission Merchant Activities

The Hongkong and Shanghai Banking Corporation, Hong Kong; Kellett, N.V., Curacao, Netherlands Antilles; and HSBC Holdings, B.V., Amsterdam, The Netherlands (collectively "Applicant"), have applied, pursuant to section 4(c)(8) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1843(c)(8)), and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)), to engage, through James Capel Incorporated, New York, New York ("JCI"), a wholly owned subsidiary of Applicant, in:

(1) providing investment advisory and securities brokerage activities separately and on a combined basis to institutional customers;

(2) providing futures commission merchant services; and

(3) offering investment and financial advisory services.

Applicant also has applied, pursuant to section 4(c)(8) of the BHC Act and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)), to engage through Wardley Incorporated, New York, New York ("Wardley"), in providing investment and financial advisory services.

Applicant, with approximately $132.9 billion in assets, is the 30th largest banking organization in the world.[1] It operates one subsidiary bank in the United States and engages directly and through subsidiaries in a broad range of nonbanking activities in the United States.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (54 *Federal Register* 29,942 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.[2]

1. Asset data are as of December 31, 1989. Ranking is as of December 31, 1988.

2. The Investment Company Institute ("ICI") has protested this application to the extent that it would permit Applicant to broker or advise customers regarding securities issued by investment companies sponsored or advised by Applicant or any of its bank or nonbank affiliates. Applicant has committed that JCI's brokerage activities will comply with the commitments approved by the Board in *Norwest Corporation*, 76 *Federal Reserve Bulletin* 79 (1990) ("*Norwest*"). Thus, Applicant would not provide investment advice to its brokerage customers regarding shares of investment companies that are advised or sponsored by Applicant or any of its affiliates. Applicant would not provide brokerage services to its customers regarding shares of investment companies that are sponsored or advised by Applicant or any of its nonbank affiliates. Applicant has proposed, however, that JCI broker shares of investment companies sponsored or advised by Applicant's bank affiliates in accordance with all of the conditions set forth in *Norwest*. As the Board noted in *Norwest*, the prohibitions contained in the Board's interpretive rule on investment advisor activities (12 C.F.R. 225.125) would not prevent a bank holding company subsidiary from brokering shares of investment companies that are advised by a bank affiliate of the brokerage subsidiary and not by the parent bank holding company or any of its direct or indirect nonbank subsidiaries. For the reasons set forth in *Norwest*, the Board does not believe that the comments submitted by the ICI warrant denial of this proposal.

Investment Advice and Securities Brokerage on a Combined Basis

Applicant has proposed that JCI offer investment advisory and securities brokerage activities separately and on a combined basis to institutional customers.[3] The Board previously has determined that the combined offering of investment advice with securities brokerage services to institutional customers is a permissible nonbanking activity and does not violate the Glass–Steagall Act.[4] Applicant has committed to conduct these brokerage and advisory activities in accordance with the limitations approved by the Board in its prior cases.[5]

Investment and Financial Advisory Services

Applicant has applied to offer, through JCI and Wardley, investment advice by:

(a) furnishing general economic information and advice, general economic statistical forecasting services, and industry studies; and

(b) providing financial advice to state and local governments, such as with respect to the issuance of their securities.

The Board has previously determined by regulation that these investment advisory activities are closely related to banking.[6] Applicant has also applied to offer, through JCI and Wardley, financial advice by:

(a) providing advice regarding the structuring of and arranging for loan syndications, interest rate swaps, interest rate caps, and similar transactions;

(b) providing advice in connection with financing transactions;

(c) providing valuation services;

(d) providing advice in connection with mergers, acquisitions, and divestitures;

(e) rendering fairness opinions in connection with mergers, acquisitions, and similar transactions; and

(f) conducting feasibility studies (collectively, "financial advisory activities").

The Board has previously determined by order that these financial advisory activities are closely related to banking under section 4(c)(8) of the BHC Act.[7] Applicant has proposed that JCI and Wardley offer financial advisory services to financial and nonfinancial institutions and individuals that are "Institutional Customers" as defined in *Manufacturers Hanover Corporation*, 73 *Federal Reserve Bulletin* 930 (1987) ("*Manufacturers Hanover*"). As the Board noted in *Manufacturers Hanover*, such customers would have sufficient financial sophistication so that they would not place undue reliance on financial advice received, and would be better able to detect investment advice motivated by self-interest. The Board believes that this proposal is consistent with the reasoning of its prior orders and does not alter the underlying rationale of its decision in *Signet* that the activity is closely related to banking. JCI and Wardley would conduct the financial advisory activities in accordance with prior Board Orders.[8]

Futures Commission Merchant Services

Applicant has applied to act as a futures commission merchant ("FCM") and commodity trading advisor ("CTA") through the provision of execution, clearance, and investment advisory services with respect to futures contracts, pursuant to sections 225.25(b)(18) and (b)(19) of the Board's Regulation Y (12 C.F.R. 225.25(b)(18) and (b)(19)).[9] Applicant also

3. The Board has previously determined by regulation that the separate provision of securities brokerage services and of investment advisory services is closely related to banking for purposes of the BHC Act. 12 C.F.R. 225.25(b)(4) and (b)(15).

4. *See, e.g., National Westminster Bank PLC*, 72 *Federal Reserve Bulletin* 584 (1986); *Canadian Imperial Bank of Commerce*, 74 *Federal Reserve Bulletin* 571 (1988).

5. Under this proposal, JCI will not act as principal or take a position in any securities it brokers or recommends, except bank-eligible securities that it invests as excess funds. JCI would not underwrite or deal in these bank-eligible securities. In the event that JCI engages in transactions with its customers with respect to these securities, it would comply with the disclosure procedures established in *PNC Financial Corp*, 75 *Federal Reserve Bulletin* 396 (1989). Since affiliates of JCI have authority to underwrite and deal in securities, both in the United States and abroad, JCI would comply with the disclosure requirements of prior Board Orders. *See Bankers Trust New York Corporation*, 74 *Federal Reserve Bulletin* 695 (1988) ("*Bankers Trust*").

6. 12 C.F.R. 225.25(b)(4)(iv) and (b)(4)(v).

7. *SunTrust Banks, Inc.*, 74 *Federal Reserve Bulletin* 256 (1988); and *Signet Banking Corporation*, 73 *Federal Reserve Bulletin* 59 (1987) ("*Signet*").

8. *See Signet*. Thus, Applicant has committed that:

(1) JCI and Wardley's financial advisory activities will not encompass the performance of routine tasks or operations for a client on a daily or continuous basis;

(2) Disclosure will be made to each potential client of JCI and Wardley that each is an affiliate of Applicant;

(3) Advice rendered by JCI or Wardley on an explicit fee basis will be without regard to correspondent balances maintained by a client of JCI or Wardley at Applicant or any of Applicant's depository subsidiaries; and,

(4) JCI and Wardley will not make available to Applicant or any of Applicant's subsidiaries confidential information received from their clients, except with the client's consent.

9. An affiliate of JCI has authority to purchase futures contracts and options on futures contracts for foreign exchange. *The Hongkong and Shanghai Banking Corporation, Kellett, K.V., HSBC Holdings, B.V., and Marine Midland Banks, Inc.*, 75 *Federal Reserve Bulletin* 217 (1989). Applicant has committed that in any transaction in which JCI purchases futures contracts or options on futures contracts from an

proposes to engage in these activities for the futures and options contracts listed in the Appendix to this Order.

The Board previously has authorized FCM subsidiaries of bank holding companies to execute, clear, and provide advisory services on many of the futures and options contracts listed in the Appendix under section 4(c)(8) of the BHC Act. In addition, the Board has permitted bank holding companies to execute and clear the balance of the above futures contracts pursuant to Regulation K (12 C.F.R. Part 211). These contracts have essentially the same terms and serve the same functions as the futures contracts for which execution and clearance have been previously approved under section 4(c)(8) of the BHC Act. Applicant has committed to limit its investment advisory services so as to be consistent with the limits in Regulation Y that are placed on the provision of similar advisory services.

The Board believes that the skills necessary to engage in providing execution, clearance, and investment advisory services on the above futures are virtually indistinguishable from the execution, clearance, and advisory activities approved by the Board in its previous orders and in sections 225.25(b)(18) and (b)(19) of the Board's Regulation Y (12 C.F.R. 225.25(b)(18) and (b)(19)). Therefore, the Board has determined that the execution, clearance, and provision of investment advice on options and futures contracts on these additional indexes are closely related to banking under section 4(c)(8) of the BHC Act. The Board has taken into account and has relied upon the commitments made by Applicant, and the regulatory framework established pursuant to law by the Commodity Futures Trading Commission for the trading of futures, as well as the conditions set forth in sections 225.25(b)(18) and 225.25(b)(19) with respect to the execution, clearance, and provision of investment advice as a FCM or CTA as to futures contracts or options thereon.

Financial Factors, Managerial Resources, and Other Considerations

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

Applicant proposes to cross-market services among JCI, Wardley, and their affiliates so that affiliates may introduce services to institutional customers. The Board has previously approved proposals involving the introduction by bank affiliates of their institutional customers to the services available from their affiliates.[10] Applicant acknowledges that its securities underwriting affiliate cannot engage in such activities in a manner inconsistent with the cross-marketing restrictions in the Board's section 20 Order.[11] In addition, as required by section 23B of the Federal Reserve Act (12 U.S.C. § 371c-1), no affiliated bank may engage in advertising for these subsidiaries stating or suggesting that an affiliated bank is responsible for the subsidiaries' obligations, or enter into any agreement so stating or suggesting. The Board also notes that section 106 of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. § 1972) precludes banks from tying either the availability of, or consideration for, a product or service to the condition that a customer also obtain a product or service from an affiliated bank holding company or any of its affiliate banks. Finally, in order to ensure customers receive unbiased investment advice, research personnel of JCI and Wardley would not be provided with position reports regarding the securities or futures contracts its affiliates may hold in inventory. In light of these factors, the Board concludes that the proposed cross marketing of services of affiliates to institutional customers (consistent with the terms of the Section 20 Order) would not result in significant adverse effects. The Board expects that the *de novo* entry of JCI and Wardley into the market for these services would increase the level of competition among providers of these services already in operation and provide greater convenience to Applicant's customers. Accordingly, the Board concludes that the performance of the proposed activities by Applicant can reasonably be expected to provide benefits to the public.

The Board also has considered the potential for adverse effects that may be associated with this proposal. In light of the framework established in the Board's regulations, this order, and previous orders

affiliate, JCI will make prior disclosure of that fact to the customer and obtain the customer's consent. This disclosure will occur both at the beginning of the relationship with the customer and upon confirmation of each order. The Board has previously found that these disclosure procedures are adequate to address potential adverse effects. *See Bankers Trust.*

10. *Bankers Trust.* As in *Bankers Trust*, there will be no flow of confidential customer information without the customer's consent.

11. *Marine Midland Banks, Incorporated*, 73 *Federal Reserve Bulletin* 738 (1987).

regulating the conduct of the proposed activities, consummation of this proposal is not likely to result in any significant undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or other adverse effects.

The financial and managerial resources of Applicant are considered consistent with approval. Based on consideration of all the relevant facts, the Board concludes that the balance of the public interest factors that it is required to consider under section 4(c)(8) is favorable. Accordingly, based on all the facts of record, and subject to the conditions of this Order, the Board has determined that the proposed application should be, and hereby is, approved.

The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, as to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. This transaction shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective July 11, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

A. *Futures and Options Contracts Approved under Section 4(c)(8) of the BHC Act.* [1]

1. Standard & Poor's 100 Stock Price Index futures contract, Standard & Poor's 500 Stock Price Index futures contract, Options on the Standard & Poor's 500 Stock Price Index futures, Standard & Poor's Over-the-Counter 250 Stock Index futures contracts, which are currently traded on the Index and Option Division of the Chicago Mercantile Exchange;
2. Major Market Index futures contract, Bond Buyer Municipal Bond Index futures contract, Options on the Bond Buyer Municipal Bond Index futures contract, Major Market Index Maxi Stock Index futures contract, Major Market Index Mini Stock Index futures contract, GNMA Cash Settled futures contract, NASD Financial Index futures contract, Long-Term Municipal Bond Index futures contract, which are currently traded on the Chicago Board of Trade;
3. New York Stock Exchange Composite Index futures contract, and Options on the New York Stock Exchange Composite Index futures contract, which are traded on the New York Futures Exchange;
4. Value Line Futures (Maxi) Index futures contract, Value Line Futures (Mini) Index contract, and Value Line Average Stock Index futures contract, which are traded on the Kansas City Board of Trade;
5. National Over-the-Counter Index futures contract, which is traded on the Philadelphia Board of Trade; and
6. Nikkei 225 futures contract, which is traded on the Singapore International Monetary Exchange.

B. *Futures and Options Contracts Approved under the Board's Regulation K.*[2]

1. Tokyo Stock Price Index futures contracts and Japanese Government bond futures contracts, which are traded on the Tokyo Stock Exchange;
2. Dutch Government Bond Index futures contracts, which are traded on the Financiele Termijnmarkt Amsterdam NV;
3. French Government Bond Index futures contracts, which are traded on the Marche a Terme d'Instruments Financiers;
4. Hang Seng Stock Index futures contracts, which are traded on the Hong Kong Futures Exchange Limited;
5. FT-SE 100 futures contracts and options, options on foreign exchange, and UK bond futures contracts, Eurodollar and Sterling deposit interest rate futures, all of which are traded on the London International Financial Futures Exchange; and
6. All Ordinaries Share Index Futures contracts, and Australian Government bond futures contracts, which are traded on the Sydney Futures Exchange.

1. *See, Chemical Banking Corporation*, 76 *Federal Reserve Bulletin* 660 (1990); *Northern Trust Corporation*, 74 *Federal Reserve Bulletin* 333 (1988); and *The Long-Term Credit Bank of Japan, Limited*, 74 *Federal Reserve Bulletin* 573 (1989).

2. *See*, Board letters, dated September 29, 1982; August 6, 1984; August 29, 1984; January 27, 1986; February 3, 1986; June 24, 1985; April 14, 1986; June 20, 1986; October 27, 1986; November 18, 1986; August 16, 1988; and September 20, 1988; and *Citicorp Overseas Investment Corporation*, 68 *Federal Reserve Bulletin* 671 (1982).

Manufacturers Hanover Corporation
New York, New York

Order Approving Application to Engage in Brokerage and Investment Advisory Activities For Certain Futures and Options Contracts Traded on Major Commodities and Securities Exchanges

Manufacturers Hanover Corporation, New York, New York ("MHC"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(3) of the Board's Regulation Y (12 C.F.R. 225.23(a)(3)), to engage in brokerage and investment advisory activities involving certain futures and options contracts through Manufacturers Hanover Futures & Options, Inc., New York, New York ("Futures & Options").[1]

Notice of the application, affording interested persons an opportunity to submit comments has been duly published (55 *Federal Register* 21,245 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

MHC, with total consolidated assets of $59.7 billion, is the eighth largest commercial banking organization in the nation.[2] It operates two banking subsidiaries in New York and Delaware and engages directly and through other subsidiaries in a broad range of nonbanking activities.

In addition to existing activities, Futures and Options proposes to engage in the following execution and clearance activities:

(i) futures contracts on gold bullion and options on such contracts traded on major commodity exchanges;

(ii) foreign currency options traded on securities exchanges;

(iii) options on U.S. government securities traded on securities exchanges;[3] and

(iv) options on stock and bond indices traded on securities exchanges.

The contracts and exchanges involved in this proposal are described in the appendix. Futures & Options would also provide general research and advice on market conditions and trading strategies regarding the use of the above contracts.

The Board has approved the FCM activities proposed in paragraph (i) by regulation (section 225.25(b)(18) of Regulation Y)[4] and the brokerage activities proposed in paragraphs (ii) and (iii) by Order.[5] The brokerage activities described in paragraph (iv) are generally permitted under the limitations governing securities brokerage in section 225.25(b)(15) of Regulation Y.[6] The proposed options traded on securities exchanges are options directly on the underlying instruments and brokers of these options are regulated under securities laws by the SEC.[7]

Futures & Options also proposes to give investment advice in conjunction with these brokerage activities.[8]

1. MHC proposes to acquire through Futures & Options all of the outstanding shares of Manufacturers Hanover Financial Options Group, Inc. ("MHFOG"), a wholly owned subsidiary of Manufacturers Hanover Bank (Delaware). Upon acquisition, MHFOG will be merged into Futures & Options. MHFOG currently executes and clears foreign currency options for customers on the Philadelphia Stock Exchange, provides related investment advice, and clears certain options on stock and bond indices. Futures & Options currently engages in futures brokerage and advisory services as a futures commission merchant ("FCM") under sections 225.25(b)(18) and (19) for major commodity exchanges and stock and municipal bond indices. *See Manufacturers Hanover Corporation*, 70 *Federal Reserve Bulletin* 369 (1984) and *Manufacturers Hanover Corporation*, 72 *Federal Reserve Bulletin* 144 (1986).

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

3. Futures & Options also proposes to execute and clear options on short- and long-term interest rate contracts traded on the Chicago Board Options Exchange. These are cash-settled options that are based on the annualized yield to maturity (or the annualized discount, in the case of U.S. Treasury bills) of U.S. Treasury securities. The underlying instrument for a short-term option is the 13-week U.S. Treasury bill, which is auctioned weekly. The underlying instrument for a long-term option is a portfolio of six government securities — the two most recently auctioned 7-, 10- and 30-year U.S. Treasury issues, auctioned quarterly.

4. Section 225.25(b)(18) restricts membership in exchanges that require the parent company to become a member, limits trading for the subsidiary's own account except for hedging purposes, requires time stamping of customer orders, restricts extensions of credit for purposes of meeting margin requirements, and requires maintenance of adequate capital.

5. *See The Hongkong and Shanghai Banking Corporation*, 72 *Federal Reserve Bulletin* 345 (1986) (currency options); and *Sovran Financial Corporation*, 72 *Federal Reserve Bulletin* 146 (1986) (U.S. government securities options). The Board also has permitted the combination of FCM activities with the brokerage of SEC-regulated options contracts. *See, e.g., The Hongkong and Shanghai Banking Corporation, supra; Citicorp*, 70 *Federal Reserve Bulletin* 591 (1984); and *Security Pacific Corporation*, 70 *Federal Reserve Bulletin* 238 (1984).

6. Under this section, securities brokerage activities are limited to buying and selling securities solely as agent for the account of customers and do not include securities and underwriting or dealing or investment advice or research.

7. Pursuant to an accord between the SEC and the CFTC, these options are considered securities and are regulated by the SEC. The substance of this accord was subsequently adopted by Congress, Pub. L. No. 97-444, 96 Stat. 2294 (codified as amended at 7 U.S.C. § 77(b) (October 13, 1982)). Thus, Futures & Options is required to register as a broker/dealer in connection with brokering these options.

8. The Board has approved combining investment advisory activities with brokerage services for futures contracts on gold bullion and options thereon on major commodities exchanges under the limitations in section 225.25(b)(19) of Regulation Y. These limitations prohibit trading for the company's own account except for the purpose of hedging a cash position in the related market and restrict

The Board has noted that combining brokerage services and investment advice for securities ("full-service brokerage") could lead to conflicts of interests and unsound banking practices. Accordingly, the Board has imposed certain limitations when these activities are conducted on a combined basis, beginning with *National Westminster Bank*, to address these concerns.[9] Futures & Options maintains that full-service brokerage limitations should not apply to the proposed activities because options traded on securities exchanges are the functional equivalent of futures and options on futures on the same financial instruments traded on commodities exchanges.[10] Accordingly, Futures & Options proposes to conduct its broker/investment advisory activities for options traded on securities exchanges under the same limitations imposed by sections 225.25(b)(18) and (b)(19) of Regulation Y for FCM and advisory activities for futures and options on futures traded on commodities exchanges.[11]

In approving the execution and clearance of certain options traded on securities exchanges, the Board has recognized that, although an option traded on a securities exchange differs somewhat from a future or an option on a future traded on a commodities exchange, an option traded on a securities exchange appears to serve the same function as these other instruments since it offers the investor a means to hedge portfolio risk.[12] Options on futures traded on commodities exchanges, as well as options traded on securities exchanges, may be used for buying or selling the underlying instrument at a specific price at a specific time in the future.[13] In addition, the prices of both types of options are also determined largely from the prices of the underlying instrument.

Additional aspects of the Futures & Options proposal make the full-service brokerage limitations less appropriate in this context. Unlike equity and corporate debt obligations, there is no single corporate issuer of the types of options proposed.[14] Accordingly, concerns that a bank may make unsound loans to companies in whose stock the securities brokerage affiliate has invested is not present in this proposal. Futures & Options has committed to disclose in writing its dual role in providing advisory and brokerage services and that its bank affiliates are not responsible for its obligations prior to the provision of any brokerage service.[15] Futures & Options has also committed that all of its notices, advice, confirmations, correspondence and other documentation will clearly indicate its separate identity in order to avoid any confusion between Futures & Options and its bank affiliates. In addition, all the proposed activities must be conducted within the regulatory framework established by the SEC (for securities exchanges) and the CFTC (for commodities exchanges). Under these circumstances, and in light of the types of options involved in this application, the Board believes that the limitations proposed by Futures & Options are sufficient to pre-

investment advice to financial institutions and other financially sophisticated customers that have significant dealings or holdings in the underlying instruments.

9. 72 *Federal Reserve Bulletin* 584 (1986). *See also Bank of New England Corporation*, 74 *Federal Reserve Bulletin* 700 (1988).

10. The following full-service brokerage limitations would not in any case be applicable to MHC's proposal:

(i) providing notice to customers that a bank affiliate may be a lender to an issuer of securities;

(ii) not acting with regard to any security underwritten by an affiliate or one in which an affiliate makes a market;

(iii) disclosing any interest of an affiliate as underwriter or market maker in the securities being purchased or recommended; and

(iv) not providing advice with regard to the shares of an investment company for which an affiliate serves as sponsor or investment advisor.

11. These proposed limitations differ from the full-service brokerage limitations primarily in the following respects:

(i) eligible customers will qualify under the "financially sophisticated" standard in section 225.25(b)(19) without regard to high net-worth guidelines for individuals; and

(ii) advisory and brokerage activities may be conducted from shared premises with nonbank affiliates and nondeposit-taking representative offices of bank affiliates, although Futures & Options will hold itself out as a separate and distinct corporation with its own properties, assets, liabilities, capital, books, and records. Two officers of MHC's lead bank would serve as directors and officers of Futures & Options for the purpose of providing technical support but not participating in the day-to-day operations of Futures & Options. Futures & Options will not exercise discretion with respect to any customer account and will not execute any transaction in which an affiliate exercises discretion without customer authorization. In addition, Futures & Options and its affiliates will not exchange confidential information obtained from customers other than mailing lists for solicitation and advertising purposes.

12. *See, e.g., Security Pacific Corporation, supra* (options on securities issued or guaranteed by the U.S. government or its agencies; options on U.S. foreign money market instruments). The Board has also approved brokerage of futures contracts and options thereon on stock and bond indices. *See, e.g., Chemical Banking Corporation*, 76 *Federal Reserve Bulletin* 660 (1990); *Long-Term Credit Bank of Japan, Limited*, 74 *Federal Reserve Bulletin* 573 (1988); *Manufacturers Hanover Corporation*, 72 *Federal Reserve Bulletin* 144 (1986).

13. Both types of options are traded in auction markets where premium prices, established through open competition, reflect the market's expectation of future price movements and are traded in standardized form, with similar standardized expiration dates. In addition, both types of options settle and clear through centralized clearing houses that act as intermediaries between buyers and sellers, guaranteeing that there is a buyer for every seller and *vice versa*.

14. The Options Clearing Corporation ("OCC") is the nominal issuer of all options traded on securities exchanges. Ownership of the OCC lies with the participating exchanges, not the purchasers of the options. Consequently, options on stock and bond indices are contractual obligations of the OCC—an exchange clearing house—and not of a single corporate issuer.

15. Futures & Options has represented that it does not expect individual professional traders to represent more than one percent of the volume of all accounts and has also committed to notify the New York Reserve Bank prior to or as soon as practicable thereafter of a material change in its customer base for the purpose of monitoring any changes in the entity's credit risk profile.

vent conflicts of interests and other unsound banking practices.

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

The Board expects that the *de novo* entry of MHC into the market for at least some of these services would increase the level of competition among providers of these services already in operation and provide greater convenience to MHC's customers. MHC's prior experience in providing services for futures and options thereon demonstrates that Futures and Options would have the expertise to provide the proposed services. Accordingly, the Board concludes that the performance of the proposed activities by MHC can reasonably be expected to provide benefits to the public.

The Board also has considered the potential for adverse effects that may be associated with this proposal. There is no evidence in the record that consummation of this proposal is 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. As discussed above, the Board has also relied on the existing regulatory framework for the trading of options and futures on securities and commodity exchanges as well as MHC's commitments and representations. The financial and managerial resources and future prospects of MHC are considered consistent with approval.

Based on consideration of all the relevant facts, the Board concludes that the balance of the public interest factors that it is required to consider under section 4(c)(8) is favorable. Accordingly, based on all the facts of record, and subject to the conditions in this Order, the Board has determined that the proposed application should be, and hereby is, approved.

This determination is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders thereunder.

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

By order of the Board of Governors, effective July 16, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

Exchanges and Contracts

Philadelphia Stock Exchange
Australian dollar option *
British pound option *
Canadian dollar option *
Deutschemark option *
French franc option *
Japanese yen option *
Swiss franc option *
Value Line Average Index option * *

American Stock Exchange
Major Market Index option*

Chicago Board Options Exchange
S&P 100 Stock Index option**
S&P 500 Stock Index option**
U.S. Treasury bond and note options**
Short-term and Long-term Interest Rate options**

Chicago Mercantile Exchange
Gold bullion futures and options on futures**

* Activities currently conducted
** Activities proposed to be conducted

Societe Generale
Paris, France

Order Approving Application to Act as a Registered Options Trader on Foreign Exchange Options

Societe Generale, Paris, France, a foreign bank subject to the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act, 12 U.S.C. § 1843(c)(8), and section 225.23(a)(3) of the Board's Regulation Y, 12 C.F.R. 225.23(a)(3), for approval for its wholly owned subsidiary, Societe Generale Options-North America, Inc., Philadelphia, Pennsylvania ("Company"), to deal as a Registered

Options Trader ("Trader") in options on the Deutsche mark traded on the Philadelphia Stock Exchange (the "Exchange") during the Exchange's evening trading session. Applicant has also applied for approval for Company to deal, as a Trader, in options on the Japanese yen, Swiss franc, British pound, Canadian dollar, Australian dollar, and European Currency Unit. Applicant proposes that Company conduct its activities as a Trader in these foreign currency options during the Exchange's day and evening trading sessions. As a Trader, Company would act as dealer and market maker in such options to assist in the maintenance of a fair and orderly market on the Exchange.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been duly published (53 *Federal Register* 27,685 (1990)). The time for filing comments has expired, and the Board has considered the application in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets equivalent to approximately U.S. $174.3 billion, is the 26th largest banking organization in the world.[1] In the United States, Societe Generale operates three branches and one agency.

In order to approve an application submitted pursuant to section 4(c)(8) of the BHC Act, the Board is required to determine that the proposed activity is "so closely related to banking as to be a proper incident thereto." 12 U.S.C. § 1843(c)(8). In considering whether a proposed activity would be a proper incident to banking, the Board is required to determine that the performance of the proposed activity can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. *Id.*

A. Closely Related to Banking Analysis

Based on guidelines established in the National Courier case, a particular activity may be found to be "closely related to banking" for purposes of section 4(c)(8) of the BHC Act if: banks generally do in fact conduct the proposed activity; banks generally provide services that are operationally or functionally so similar to the proposed activity as to equip them particularly well to provide the proposed activity; or banks generally provide services that are so integrally related to the proposed activity as to require their provision in a specialized form.[2]

A Trader deals for its own account in order to maintain a "fair and orderly" market in certain options when a lack of price continuity or temporary disparity in supply or demand exists on options for which the Trader makes a market. Company would be obliged to make a market in the proposed foreign currency options, or bid and offer, for all traders who approach it on the Exchange, but would not be obliged in any way as to the price and quantity it bids and offers.

A Trader is permitted to "leave the floor," *i.e.*, not trade, provided the Trader meets minimum trading levels each quarter. Societe Generale has not proposed that Company act as a broker of foreign currency options.

The Board has previously recognized that foreign exchange activities have traditionally been conducted by banks and are permissible activities under the BHC Act.[3]

The Board notes that the Office of the Comptroller of the Currency has authorized national banks to deal in foreign currency options as a Trader on a securities exchange.[4] Banks are major participants in all aspects of the foreign exchange markets and also act as market-makers in various currencies. Their activities include trading for their own account as well as for customers in virtually all foreign exchange markets and instruments, including trading foreign currency options on regulated exchanges as proposed here.[5]

The Board also notes that banks act as market-makers in the interbank market, continually offering both bid and offer prices on the currencies and contracts they trade. Through their participation in the interbank market for foreign currency options, banks have developed experience in dealing, market-making and risk management, which are essential elements of the proposed activities.

1. Asset data are as of December 31, 1989. Ranking is as of December 31, 1988.

2. *Nat'l Courier Ass'n v. Board of Governors*, 516 F.2d 1229, 1237 (D.C. Cir. 1975). The Board may also consider any other factor that demonstrates a reasonable or close connection or relationship of the activity to banking. 49 *Federal Register* 794, 806 (1984); *Securities Industry Ass'n v. Board of Governors*, 104 S. Ct. 3003, 3005–06 n.5 (1984).

3. *See Hongkong and Shanghai Banking Corporation*, 75 *Federal Reserve Bulletin* 217 (1989) (trading foreign exchange forwards, futures, options, and options on futures for its own account for other than hedging purposes to a limited extent); and *The Nippon Credit Bank, Ltd.*, 75 *Federal Reserve Bulletin* 308 (1989) (engaging in foreign exchange spot transactions).

In addition, in 1989, the Board approved the application of Societe Generale to engage *de novo* in acting as the specialist in Deutsche mark options traded on the Exchange during the Exchange's day session. *Societe Generale*, 75 *Federal Reserve Bulletin* 580 (1989) ("*Societe Generale*"). In *Societe Generale*, the Board determined that these activities would be permissible for a bank holding company since the activity was functionally and operationally similar to dealing in foreign currency.

4. Letter dated June 3, 1988, from J. Michael Shepherd, Senior Deputy Comptroller for Corporate and Economic Programs, to Republic National Bank of New York.

5. *See Societe Generale*.

For these reasons, and based on the facts of record, the Board finds that the activity of engaging as a Trader in foreign currency options on the Exchange is closely related to banking for purposes of section 4(c)(8) of the BHC Act.

B. Balance of Public Benefits and Adverse Effects

In order to approve this application, the Board is required to determine that the performance of the proposed activities by Societe Generale "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Consummation of the proposal can reasonably be expected to result in public benefits that outweigh possible adverse effects. The proposed activities would facilitate the development of the foreign exchange options market by providing increased market liquidity and enhanced opportunities for financial institutions to hedge foreign exchange risk. In addition, the Board expects that the entry of Company into the market for these services would increase the level of competition among Traders.

With regard to the adverse effects that might stem from the proposal, the Board notes that acting as a Trader involves the financial risk of adverse rate fluctuations. In this case, the Board believes that financial risk is sufficiently minimized by several considerations. First, the rules of the Exchange permit the Trader to set the price and quantity that it will buy and sell in order to minimize its risk in an adverse or volatile market. The Trader is required to deal for its own account as necessary to maintain a "fair and orderly market." Under the rules of the Exchange, however, a Trader is permitted to leave the trading floor, provided it has met the minimum trading requirements for each quarter. Therefore, unlike the Specialist, who is expected to trade at all times, a Trader may refrain from dealing when potential profits do not appear likely.

Second, Societe Generale states that the proposed activities are not speculative and that Exchange Rules are intended to prohibit a Trader from speculating.[6] Rather, Traders generate profits from the spread between their bid and offer quotations. Societe Generale states that Company will be carefully hedged at all times and will operate pursuant to trading limits that will reduce its exposure to a minimum.[7] Company will not write foreign currency options on an unhedged basis, and has committed that it will not utilize its Trader role to trade in a broader array of options than those which are the subject of this application.

Third, the record also shows that Societe Generale has developed extensive experience in trading foreign currency options on the over-the-counter market and on exchanges, and that Societe Generale has developed substantial experience with hedging from its existing foreign currency and options business. In this regard, Company will institute a computerized options risk-management system that will include an ongoing analysis of risk exposure and hedges; "what if" studies for different market scenarios; continuous review of Company's compliance with its own internal limits; and back-office surveillance of the firm's floor trading activities. The Board also notes that Company will be a registered broker–dealer with the Securities and Exchange Commission and hence subject to the net capital requirements applicable to registered broker–dealers. In this regard, the Board expects that Company will maintain at all times capital adequate to support its activity and cover reasonably expected expenses and losses.

In reaching its conclusions in this case, the Board has considered its decision in *Compagnie Financiere de Suez and Banque Indosuez*[8] denying a proposal to act as a specialist in French franc options on the Exchange. The Board believes that the facts and circumstances in this case are different in several significant respects from the situation presented in *Banque Indosuez*. In particular, this proposal does not raise the issues relating to potential conflicts of interest and risk raised in *Banque Indosuez*. Company appears to possess adequate management and expertise to supervise the activities. Moreover, the market for foreign currency options has broadened significantly, particularly on the Exchange, and the involvement of commercial banks in that market has become more widespread.

The record does not indicate that the proposal is likely to result in significantly adverse effects, such as

6. Exchange R4ule 1014 provides that a Trader should not enter into transactions for its own account unless those transactions "are reasonably calculated to contribute to the maintenance of a fair and orderly market." In addition, Rule 1015 states that no member of the Exchange should enter into a transaction which is "excessive in view of his financial resources or in view of the market for such security."

7. Societe Generale has not proposed to engage in pit arbitrage activities. *See Citicorp*, 68 *Federal Reserve Bulletin* 776 (1982). Company would purchase and sell foreign exchange options as a market maker, and seek to profit from a disparity between bid and offer prices. Company would hedge these positions. Company would not purchase options in anticipation of future price movements.

8. *Compagnie Financiere de Suez and Banque Indosuez*, 72 *Federal Reserve Bulletin* 141 (1986) ("*Banque Indosuez*").

undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Based upon the foregoing and other considerations reflected in the record, and subject to the commitments made by Societe Generale, the Board has determined that the public benefits associated with this proposal can reasonably be expected to outweigh possible adverse effects, and that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) of the BHC Act is favorable.

For the reasons stated in this order, and subject to all of the commitments made by Societe Generale and Company, the Board has determined that the application should be, and hereby is, approved. This determination is further subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

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

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

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

C&S/Sovran Corporation
Norfolk, Virginia

Avantor Financial Corporation
Norfolk, Virginia

Order Approving the Formation of a Bank Holding Company Through the Acquisition of Two Bank Holding Companies and Their Banking and Nonbanking Subsidiaries

Avantor Financial Corporation, Norfolk, Virginia ("Avantor"), has applied under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("BHC Act") to become a bank holding company by acquiring The Citizens and Southern Corporation, Atlanta, Georgia ("C&S"), and Sovran Financial Corporation, Norfolk, Virginia ("Sovran"), both bank holding companies within the meaning of the BHC Act, and thereby to acquire the subsidiary banks of both C&S and Sovran listed in Appendix A to this Order. Avantor has also applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire the nonbanking subsidiaries of C&S and Sovran listed in Appendix B to this Order. Each of these activities has been previously approved by the Board, and Avantor has committed to conduct these activities subject to all of the limitations, commitments, and conditions contained in the relevant regulations and in the orders approving these activities for Sovran and C&S. Avantor has also applied to acquire Sovran Trading Company Central/South pursuant to section 4(c)(14) of the BHC Act, and to acquire indirectly the shares of Citizens and Southern International Bank and Citizens and Southern International Bank of Atlanta, which are corporations chartered pursuant to section 25(a) of the Federal Reserve Act (12 U.S.C. § 611 *et seq.*) (the "Edge Act").[1]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (54 *Federal Register* 53,185 (1989)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4 of the BHC Act.

Sovran, with approximately $25.5 billion in total consolidated assets, owns eight banking subsidiaries in Virginia, Delaware, Kentucky, Maryland, the District of Columbia, and Tennessee, controlling approximately $18.7 billion in total consolidated deposits.[2]

1. Subsequent to the proposed acquisition, C&S and Sovran will continue to operate as second tier bank holding company subsidiaries of Avantor.

In connection with the transaction, C&S and Sovran have granted to each other an option to purchase up to 16.6 percent of the outstanding common stock of their respective organizations. Applicant has also applied for approval to exercise its option if any of several preconditions occur.

2. Sovran is the largest commercial banking organization in Virginia, controlling deposits of approximately $10.2 billion, representing approximately 19.9 percent of the total deposits in commercial banks in Virginia. Sovran is the fourth largest commercial banking organization in Tennessee, controlling deposits of approximately $4.1 billion, representing approximately 10.7 percent of the total deposits in commercial banks in Tennessee. In Maryland, Sovran is the fourth largest commercial banking organization, controlling deposits of approximately $3.3 billion, representing approximately 8.5 percent of the total deposits in commercial banks in Maryland. In the District of Columbia, Sovran is the fifth largest commercial banking organization, controlling approximately $842.9 million in deposits, representing approximately 6.4 percent of the total deposits in commercial banks in the District of Columbia. Sovran controls less than one

C&S, with approximately $23.3 billion in total consolidated assets, owns five banking subsidiaries and three trust companies in the states of Georgia, Florida and South Carolina, controlling approximately $18.1 billion in total consolidated deposits.[3] Upon consummation of this proposal, Avantor would be the tenth largest commercial banking organization in the United States based on total consolidated deposits ($36.8 billion), and the twelfth largest commercial banking organization in the country based on total consolidated assets ($48.8 billion).[4]

Douglas Amendment

Section 3(d) of the BHC Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect and not merely by implication." Upon consummation of the proposal, Avantor's home state will be Virginia.[5] The Board has previously determined that the interstate banking statutes of Georgia, Florida, Kentucky, Maryland, Tennessee and the District of Columbia and the banking law of the State of Delaware expressly authorize a Virginia bank holding company, such as Avantor, to acquire banking organizations in those states.[6] The statute laws of South Carolina expressly authorize the acquisition of a banking institution in South Carolina by a bank holding company located in a state in a defined region, which includes Virginia, if that other state authorizes the acquisition of a financial institution in that state on a reciprocal basis by a South Carolina bank holding company.[7] Virginia law expressly authorizes the acquisition of a banking organization in Virginia by a South Carolina bank holding company on a reciprocal basis.[8] Therefore, Avantor's acquisition of banks located in South Carolina is permitted under the laws of that state.[9] In light of the foregoing, the Board has determined that its approval of the proposal is not prohibited by the Douglas Amendment.

Competitive, Financial and Managerial Factors

The bank subsidiaries of Sovran and C&S do not compete directly in any relevant banking market. Accordingly, the Board has determined that consummation of this proposal would not have a significantly adverse effect on the concentration of commercial banking resources or on existing competition in any relevant banking market. The Board also has considered the effects of the proposal on probable future competition in the relevant markets. In light of the market concentration and the number of probable future entrants into those markets, the Board concludes that consummation of this proposal would not have a significantly adverse effect on probable future competition in any relevant market.

In evaluating these applications, the Board has considered the financial and managerial resources of Avantor, Sovran, and C&S, and their bank subsidiaries, and the effect of the proposed acquisition on the resources and future prospects of these companies. Avantor proposes to accomplish the merger through an exchange of shares with both Sovran and C&S,[10] and no debt would be incurred by any organization in the transaction. Following consummation of the proposal, Avantor will have capital ratios above the minimum levels specified in the Board's Capital Adequacy Guidelines. Based on these and all of the other

percent of the total deposits in commercial banks in Kentucky and Delaware.

3. C&S is the largest commercial banking organization in Georgia, controlling deposits of approximately $9.3 billion, representing approximately 18.9 percent of the total deposits in commercial banks in Georgia. In South Carolina, C&S is the third largest commercial banking organization, controlling approximately $3.2 billion in deposits, representing approximately 18.2 percent of the total deposits in commercial banks in South Carolina. In Florida, C&S is the seventh largest commercial banking organization, controlling deposits of approximately $5.6 billion, representing approximately 5.1 percent of the total deposits in commercial banks in Florida.

4. Deposit and asset data are as of December 31, 1989.

5. A bank holding Company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. The operations of a bank holding company are considered principally conducted in that state in which the total deposits of all such banking subsidiaries are largest on the date the holding company became a bank holding company. Consummation of the proposed acquisition of Sovran and C&S by Avantor will result in Avantor initially having the largest concentration of deposits of its subsidiary banks in Virginia.

6. *Bank of Virginia*, 72 *Federal Reserve Bulletin* 65 (1986) (Maryland); *Sovran Financial Corporation*, 72 *Federal Reserve Bulletin* 276 (Delaware); *Sovran Financial Corporation*, 72 *Federal Reserve Bulletin* 282 (District of Columbia); *Credit and Commerce American Holdings*, 73 *Federal Reserve Bulletin* 755 (1987) (Georgia); *Sovran Financial Corporation*, 73 *Federal Reserve Bulletin* 939 (Kentucky and Tennessee); *Credit and Commerce American Holdings*, 75 *Federal Reserve Bulletin* 302 (1989) (Florida).

7. S.C. Code Ann. § 34-24-50 (1987). South Carolina law also requires that the applicant must have in excess of 80 percent of its total deposits in bank subsidiaries in the southern region. S.C. Code Ann. § 34-24-20(14) (1987). Avantor will satisfy this requirement.

8. Va. Code § 6.1-399 (1988).

9. Approval of this proposal is conditioned upon Avantor receiving all required state regulatory approvals, including approval by the Commissioner of Banking of South Carolina of Avantor's acquisition of C&S's subsidiary banks in that state.

10. Avantor proposes to exchange 1.23 of its shares for each share of Sovran. Avantor will use its shell subsidiary, C&S Merger Subsidiary, Inc., to acquire C&S through a phantom merger by exchanging shares on a one-for-one basis.

facts of record, the Board concludes that financial and managerial considerations, and considerations relating to the effects of the proposed transaction on the resources and future prospects of these companies, are consistent with approval of this application.

Convenience and Needs Factors

In considering the convenience and needs of the communities to be served, the Board has taken into account the record of the subsidiary banks of both Sovran and C&S under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess an institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution," and to take this record into account in its evaluation of bank holding company applications.[11]

In this regard, the Board has received comments from various organizations in Atlanta, Georgia ("Protestants"),[12] critical of the CRA performance of C&S's lead bank, Citizens and Southern National Bank, N.A., Atlanta, Georgia ("Atlanta Bank"). The Protestants allege that Atlanta Bank:

(1) does not adequately determine the community credit needs of low- and moderate-income and minority residents and that Atlanta Bank's board of directors does not review the Bank's CRA performance;

(2) has very few minorities occupying decision-making positions at the bank;

(3) is failing to provide convenient banking services to low- and moderate-income and minority neighborhoods;

(4) is not sufficiently facilitating the development of multi-family housing for low- and moderate-income individuals; and

(5) fails to meet the credit and banking needs of low-income and minority families and minority-owned businesses. C&S has submitted a detailed response to the comments made by Protestants.[13] General comments were also received from Concerned Citizens for Justice, Chattanooga, Tennessee, critical of the CRA performance of C&S and of Sovran Bank of Chattanooga, Chattanooga, Tennessee ("Tennessee Bank").[14]

The Board has carefully reviewed the CRA performance record of Sovran, C&S, and their bank subsidiaries, including Atlanta Bank and Tennessee Bank, as well as the comments of all of the commenters and Avantor's response to those comments, in light of the CRA, the Board's regulations and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[15] The Agency CRA Statement provides guidance regarding the types of policies and procedures that the supervisory agencies believe financial institutions should have in place in order to fulfill their responsibilities under the CRA on an ongoing basis, and the procedures that the supervisory agencies will use during the applications process to review an institution's CRA compliance and performance. The Agency CRA Statement also suggests that decisions by agencies to allow financial institutions to expand will be made pursuant to an analysis of the overall CRA performance of the institution.[16]

Initially, the Board notes in this case that all of the subsidiary banks of both Sovran and C&S — including Atlanta Bank and Tennessee Bank—have received satisfactory ratings from their primary regulators in the most recent examinations of their CRA performance. The Board notes that the Protestants' comments were part of the CRA examination record of Atlanta Bank, and the Office of the Comptroller of the Currency ("OCC") reviewed these comments in conducting its examination of Atlanta Bank. The Agency CRA Statement provides that, although CRA examination reports do not provide conclusive evidence of an institution's CRA record, these reports will be given great weight in the applications process.[17]

In addition, Sovran, C&S and their subsidiary banks have in place the types of policies outlined in the Agency CRA Statement that contribute to an effective

11. 12 U.S.C. § 2903.

12. Comments were received from Atlanta Legal Aid, Atlanta, Georgia; Georgia Housing Coalition, Atlanta, Georgia; Interfaith, Inc., Atlanta, Georgia; and Southern Christian Leadership Conference, Atlanta, Georgia. The Empire Real Estate Board, Atlanta, Georgia ("Empire") also submitted comments in support of the protest after the close of the public comment period.

13. Atlanta Bank has met privately with some of the Protestants in an effort to clarify the issues presented under the CRA. Although the parties were unable to resolve all of their differences, Atlanta Bank has offered to continue to work with Protestants to address their concerns.

14. On April 9, 1990, subsequent to receipt by the Board of the comments critical of Tennessee Bank, Tennessee Bank was merged into and became a branch of Sovran Bank-Central South, Nashville, Tennessee.

15. 54 *Federal Register* 13,742 (1989).

16. *Id.*

17. 54 *Federal Register* at 13,745.

CRA program. C&S has established a program for reviewing and supervising the CRA programs of its subsidiary banks. This program includes an annual review of each bank's CRA statement, a self-assessment of the bank's CRA performance, and an evaluation of these self-assessments to determine whether each bank is addressing its responsibilities to the community under the CRA. C&S has devised written procedures that explain how the assessment is to be completed and how it will be analyzed. The self-assessment requires each bank to:

(1) establish annual CRA goals,

(2) conduct quarterly evaluations of bank activities in each city and county in the bank's delineated service area and evaluate annually the bank's CRA goals, and

(3) conduct an annual geographic analysis of credit applications, denials and approvals. C&S also provides information to subsidiary banks regarding evolving areas of emphasis under the CRA, and suggests guidelines to assure that subsidiary banks are meeting their responsibilities to their communities under the CRA.

As part of its CRA program, Atlanta Bank has established a CRA Committee, comprised of individuals representing all areas of the bank's operations, to monitor the bank's efforts to address community credit needs. The CRA Committee meets quarterly to review the information, opinions, and requests that it receives regarding the bank's products and services, and considers new bank products and services to respond to identified community credit needs. Atlanta Bank's CRA activities are coordinated by the CRA officer, who also reviews and evaluates bank self-assessments and CRA goals. The CRA officer's evaluations are provided to the bank's Affirmative Action Committee, a committee of Atlanta Bank's board of directors established to review the bank's CRA activities and its employment practices, and to advise the bank's board of directors on these matters. Both the CRA Committee and the Affirmative Action Committee report on CRA matters directly to the board of directors of Atlanta Bank, which regularly reviews the bank's CRA performance.[18] Atlanta Bank has expanded its CRA Statement to include the types of credit it offers, describe its methods for performing community credit needs, and list the types of community projects that the bank has funded and the monetary amounts provided.[19]

Atlanta Bank ascertains community credit needs through various means, including through the collection and evaluation of data regarding community income characteristics and related credit needs. Atlanta Bank also uses direct forms of community contact to ascertain credit needs. The bank's officer call program is used extensively to gather information on the credit needs of low- to moderate-income individuals in the community. Atlanta Bank's Government Banking department works closely with county and municipal governments and school boards to help understand their credit needs and to evaluate community development programs. Bank officers and employees are encouraged to learn more about community credit needs by participating in community and civic organizations. To promote involvement in these types of organizations, Atlanta Bank offers Community Involvement Awards, whereby monetary donations are made to a community or civic group in the name of the bank employee involved in the organization. Atlanta Bank has also recently formed an internal task force to develop strategies to communicate more effectively with community groups, and to train bank employees to ensure sensitivity in dealing with low-income customers.

The record shows that Atlanta Bank markets its products and services through both general circulation and several minority-oriented media. Atlanta Bank also participates in a series of seminars and presentations to educate low-income individuals about how to buy and obtain mortgage financing for a home, as well as to market its mortgage products to this segment of the community.

Atlanta Bank has taken the lead in developing the recently created Atlanta Equity Fund. Modeled after the Chicago Equity Fund, the Atlanta Equity Fund is a program whereby the City of Atlanta, major financial institutions, and private corporations contribute equity to low-income multi-family housing projects. Atlanta Bank has consistently provided banking services and credit to low-income individuals in its community, capturing between 20 and 25 percent of Atlanta's low-income deposit market for checking, savings, ATM, direct deposit and credit card services.

18. The Board notes that while the CRA does not require financial institutions to maintain a particular racial composition in structuring the institution's decision-making process, the record does not warrant a finding that Atlanta Bank has excluded minorities from decision-making positions or otherwise engaged in discriminatory hiring practices. The Bank's Affirmative Action Committee has been active in assuring that Atlanta Bank has not engaged in discriminatory hiring or promoting practices. Atlanta Bank has several minorities in managerial positions, and the bank's Advisory Committee includes minority representatives from the local business community.

19. In this regard, one of the Protestants has asserted that Atlanta Bank's CRA Statement lists no surveys, studies or reports that document the needs of the low- to moderate-income and minority communities. The Board notes that Atlanta Bank's CRA Statement contains the information required by the regulations of the OCC, which is the primary regulator of Atlanta Bank.

Atlanta Bank has been an active mortgage lender to low-income persons, and participates in various programs established to address the mortgage credit needs of Atlanta's low- to moderate-income communities.[20] During the 15-month period from June 1988 through September 1989, Atlanta Bank made over $12 million in housing-related loans in low-income census tracts in the Atlanta metropolitan area. This includes a $7.6 million participation in loans made by the Atlanta Mortgage Consortium, which is a program whereby participating lenders provide reduced rate mortgage financing to low- and moderate-income persons who would not otherwise qualify for conventional loans. This amount also includes over $2.5 million loaned under the bank's Special Mortgage Loan Program, and over $700,000 loaned under the bank's Special Home Improvement Loan Program. Both of these programs, operated solely by Atlanta Bank, provide below market rate financing for families earning less than $35,000 annually. Atlanta Bank has recently committed another $15 million to the Special Home Improvement Loan Program, $10 million to the Special Mortgage Loan Program, and $2.7 million to the Atlanta Mortgage Consortium. During 1989, Atlanta Bank also made 48 Georgia Residential Finance Authority (GFRA) loans totaling $2.5 million for first-time low-income home buyers.[21] In addition, Atlanta Bank has made several construction and rehabilitation loans on multi-family properties in low-income census tracts throughout Atlanta.[22]

Atlanta Bank markets its loan products to minority-owned businesses primarily through its officer call program. Additionally, branch managers and bank officials are active in various organizations that promote minority-owned businesses, including the Renaissance Capital Corporation and the Atlanta Small Business Project. Atlanta Bank is also an investor in the Renaissance Capital Corporation, which provides funding to minority businesses that do not meet standard commercial bank loan underwriting criteria. Atlanta Bank also provides educational resources to the NAACP's Business Owners' Program, the Morehouse College Business Fellows' Seminar, and the Alonzo Crim High School Enterprise Business Program.

Atlanta Bank offers two low-cost checking accounts designed to address the checking needs of both students and low- and moderate-income persons, and both checking accounts have been very popular in the Atlanta metropolitan area. Atlanta Bank has branches located throughout the Atlanta metropolitan area that provide Saturday banking services. Almost one-third of these branches are located in, or immediately adjacent to, low-income census tracts. The bank's ATMs, and those of affiliated systems, are located throughout the metropolitan area.

Sovran has also established a program for reviewing and supervising the CRA programs of its subsidiary banks. Sovran has a corporate CRA officer who works closely with the Community Affairs Committee of Sovran's lead bank, Sovran Bank, N.A., Richmond, Virginia ("Sovran Bank") to coordinate Sovran's corporate CRA program. The Community Affairs Committee of Sovran Bank, a committee of Sovran Bank's board of directors, reports to Sovran's board of directors on the CRA program of all subsidiary banks and suggests new bank products and services to help meet community credit needs. Each subsidiary bank in the Sovran system, including Tennessee Bank, has a CRA committee and a CRA officer to implement and monitor each bank's CRA programs and initiatives.

Tennessee Bank ascertains and meets its community's credit needs through a coordinated approach that involves both bank management and members of

20. The Protestants cite a series of articles that appeared in the *Atlanta Journal Constitution*—based on studies conducted in Atlanta in 1986—which asserted that Atlanta Bank and other commercial banks in Atlanta were making few home mortgage loans to low- and moderate-income minorities in the Atlanta area. In the "Report on Loan Discrimination" submitted to Congress by the Board on October 13, 1989, pursuant to section 1220 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (the "Report"), the Board generally reviewed various public studies of mortgage lending in Atlanta, Cleveland, Detroit and Boston. The Report noted that, while these studies appeared to indicate that disparities existed in home mortgage lending between minority and non-minority areas, they did not draw definitive conclusions about the existence or extent of racial discrimination in mortgage lending and did not account for certain factors other than discrimination in lending that might account for these disparities—including differences in demand for mortgage loans, differences in the types of mortgage products offered by depository and nondepository institutions, and the tendency of non-depository lenders to dominate the minority mortgage loan market. In its most recent CRA examination of Atlanta Bank, the OCC found no evidence of illegal discrimination in Atlanta Bank's lending practices.

21. In January 1990, South Atlanta Land Trust, a local nonprofit developer, presented Atlanta Bank with its 1990 Corporate Awareness Award in recognition of Atlanta Bank's assistance to the south Atlanta community. Additionally, Atlanta Bank's commitment to affordable housing initiatives was recently recognized by the Mortgage Bankers' Association.

22. While Protestants contend that Atlanta Bank has made few investments in permanent financing for low-income multi-family housing projects throughout Atlanta, Atlanta Bank contends that permanent financing is usually provided by insurance companies and other institutions having long-term sources of funding, and that commercial banks such as Atlanta Bank usually concentrate on construction and rehabilitation financing. In this regard, the Board notes that the CRA does not require the use of specific bank lending products or services to meet the credit needs of a community. Rather, the Board has, in the past, recognized the importance of allowing banks to focus their lending efforts on particular community needs in meeting their responsibilities under the CRA. *See Dominion Bankshares Corporation*, 72 *Federal Reserve Bulletin* 787 (1986); *Commerce Bancshares, Inc.*, 64 *Federal Reserve Bulletin* 576 (1978).

the community. Tennessee Bank's CRA Committee, consisting of members of the bank's senior management, works closely with Chattanooga Neighborhood Enterprises, Chattanooga, Tennessee, a community organization that advises the CRA Committee on Tennessee Bank's CRA program. Together, these two groups develop initiatives regarding bank products and services that they believe will address community credit needs, and present these plans to the bank's board of directors for consideration.

For the foregoing reasons, and based upon all of the facts of record, the Board concludes that the records of performance under the CRA of C&S, Sovran, and their subsidiary banks, are consistent with approval of these applications. Accordingly, the Board concludes that convenience and needs considerations are consistent with approval of these applications.[23]

Acquisition of Nonbanking Companies

As noted above, the nonbanking activities that Avantor proposes to conduct have previously been found by the Board, either by order or regulation, to be closely related to banking for purposes of section 4(c)(8) of the BHC Act. Avantor proposes to conduct these activities within all of the limits and conditions imposed by those orders and regulations.[24]

23. Protestants also have requested that the Board hold a public hearing or meeting to assess further facts surrounding Atlanta Bank's CRA performance. Generally under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 U.S.C. §§ 262.3(e) and 262.25 (d).

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

24. A number of insurance trade associations have submitted comments objecting to Board approval of the acquisition by Avantor of certain insurance subsidiaries of Sovran and C&S. These protestants contend that certain insurance subsidiaries of Sovran and C&S do not qualify for exemption under sections 4(c)(8)(D) or 4(c)(8)(G) of the BHC Act, and that certain other subsidiaries conduct credit-related insurance activities beyond the scope permitted under section 4(c)(8)(A) of the BHC Act or relevant state law. In order to afford Avantor an opportunity to more fully address these comments, the Board has deferred action on these applications. In this regard, the insurance activities conducted by Sovran Credit Corporation, Sovran Equity Mortgage Corporation, Sovran Mortgage Corporation and C&S Family Credit, Inc., are not approved by this Order, but will be considered in conjunction with Avantor's applications to acquire the insurance subsidiaries of C&S and Sovran.

In considering Avantor's acquisition of the nonbanking subsidiaries of both Sovran and C&S, the Board notes that certain of these subsidiaries compete in geographic markets that are regional or national in scope. These markets are served by numerous competitors, and neither Sovran nor C&S has a significant market share. Accordingly, the Board concludes that Avantor's acquisition of the nonbank subsidiaries of Sovran and C&S would not significantly affect competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, unfair competition, conflicts of interest, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of these applications.

The Board has also considered Avantor's proposal to acquire Sovran Trading Company Central/South pursuant to section 4(c)(14) of the BHC Act, and to acquire Citizens and Southern International Bank and Citizens and Southern International Bank of Atlanta under the Edge Act. Based on all of the facts of record, the Board has determined that disapproval of this proposed investment is not warranted.

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

By order of the Board of Governors, effective July 24, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix A

Bank Subsidiaries to be Acquired

(1) The Citizens and Southern National Bank, Savannah, Georgia.
(2) The Citizens and Southern National Bank of Florida, Fort Lauderdale, Florida.
(3) The Citizens and Southern National Bank of S.C., Columbia, South Carolina.
(4) Citizens and Southern Trust Company (Georgia), N.A., Atlanta, Georgia.
(5) Citizens and Southern Trust Company (Florida), N.A., Fort Myers, Florida.
(6) Citizens and Southern Trust Company (South Carolina), N.A., Columbia, South Carolina.
(7) The Citizens and Southern Bank of Duval County, Neptune Beach, Florida.
(8) The Citizens and Southern Bank of Monroe County, Marathon, Florida.
(9) Sovran Bank, N.A., Richmond, Virginia.
(10) Sovran Bank/Maryland, Bethesda, Maryland.
(11) Sovran Bank/DC National, Washington, D.C.
(12) Sovran Bank/Delaware, Dover, Delaware.
(13) Sovran Bank/Central South, Nashville, Tennessee.
(14) Sovran Bank/Greenville, Greenville, Tennessee.
(15) Sovran Bank/Tri-Cities, Johnson City, Tennessee.
(16) Sovran Bank/Kentucky, Hopkinsville, Kentucky.

Appendix B

Nonbanking Subsidiaries to be Acquired

(1) Cash Flow, Inc., which is engaged in providing electronic funds transfer services.
(2) Sovran Capital Management Corporation, which is engaged in investment management and advisory services to institutional investors.
(3) Sovran Credit Corporation, which is engaged in consumer lending activities, making, acquiring and servicing for its own account or the account of others, loans secured primarily by first mortgages on real property.
(4) Sovran Equity Mortgage Corporation, which is engaged in making, acquiring and servicing for its own account or the account of others, loans secured primarily by second mortgages on real property.
(5) Sovran Investment Corporation, which is engaged in providing investment banking, securities brokerage, investment and financial advice, and, to a limited extent, underwriting and dealing in bank-ineligible securities.
(6) Sovran Leasing Corporation, which is engaged in commercial financing, in making, acquiring, and servicing, for its own account or the account of others, loans and leases of real and personal property, and in arranging, financing, structuring and analyzing equipment leasing.
(7) Sovran Mortgage Corporation, which is engaged in making, acquiring or servicing, for its own account or the account of others, loans secured primarily by mortgages on real property.
(8) Sovran Realty Services Corporation, which is engaged in originating, brokering, and selling commercial mortgage loans primarily for properties located in the middle region of Tennessee.
(9) Suburban Service Corporation, which is engaged in the installation of and provision of support services to automated teller machines and the management of electronic funds transfers switches.
(10) VNB Capital Corporation, which is engaged in making or acquiring new loans or other extensions of credit involving construction financing and mortgage lending on residential, multifamily and commercial real estate.
(11) Citizens and Southern Mortgage Corporation, which is engaged in making, acquiring, or servicing, for its own account or the account of others, loans or other extensions of credit secured primarily by first mortgages on real property.
(12) C&S Capital Corporation, which is engaged in commercial equipment leasing.
(13) C&S Family Credit, Inc., which is engaged through its offices and the offices of its subsidiaries, C&S Family Credit of Alabama, Inc., C&S Family Credit of Florida, Inc., C&S Family Credit of North Carolina, Inc., and C&S Family Credit of Tennessee, Inc., in the making of consumer and commercial loans secured primarily by personal property and by first and second mortgages on real property.
(14) Citizens and Southern Investment Advisors, Inc., which is engaged in performing portfolio management services to affiliated and nonaffiliated parties, and is a registered commodities trading advisor.
(15) C&S Financial Services, Inc., which is engaged in equipment leasing activities.
(16) Florida Interchange Group, Inc., which is engaged in providing electronic funds transfer services.
(17) Georgia Interchange Network, Inc., which is engaged in providing electronic funds transfer services.

STICHTING PRIORITEIT ABN AMRO HOLDING
Amsterdam, The Netherlands

Stichting Administratiekantoor ABN AMRO HOLDING
Amsterdam, The Netherlands

ABN AMRO Holding N.V.
Amsterdam, The Netherlands

Order Approving Acquisition of Two Bank Holding Companies

STICHTING PRIORITEIT ABN AMRO HOLDING, Stichting Administratiekantoor ABN AMRO HOLDING, and their subsidiary, ABN AMRO Holding N.V. (collectively, "ABN Holdings"), all of Amsterdam, The Netherlands, foreign banking organizations subject to the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 3(a)(1) of the BHC Act (12 U.S.C. § 1842(a)(1)) to become bank holding companies by acquiring 100 percent of the voting shares of Algemene Bank Nederland N.V. ("Algemene") and Amsterdam Rotterdam Bank N.V. ("Amro"), both of Amsterdam, The Netherlands, both of which are bank holding companies with respect to U.S. banks.

ABN Holdings has also applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire certain nonbanking subsidiaries of Algemene and Amro.[1] ABN Holdings has also provided notice of its intention to acquire indirectly EAB Finance N.V., The Netherlands, under section 4(c)(13) (12 U.S.C. § 1843(c)(13)) of the BHC Act. In addition, ABN Holdings has applied to acquire ABN Bank International USA Inc., Chicago, Illinois, a corporation chartered pursuant to section 25(a) of the Federal Reserve Act (the "Edge Act") (12 U.S.C. §§ 611–613).

Notice of the applications, affording interested persons an opportunity to submit comments, has been duly published (55 *Federal Register* 25,882 (1990)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act, the considerations set specified in section 4(c) of the BHC Act, and the purposes of the Edge Act.

Algemene and Amro, both large Dutch banks, have entered into an agreement to form ABN Holdings to acquire both of these banks. The agreement has been approved by the Central Bank of The Netherlands. An application is required under the BHC Act because Algemene and Amro each own banks in the United States. Algemene owns ten banks in Illinois and Amro owns one bank in New York.[2]

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the bank holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect and not merely by implication."[3] For purposes of the Douglas Amendment, ABN Holdings's principal state of operation will be Illinois, where all of Algemene's subsidiary banks are located.[4] Amro is a bank holding company located in New York.

New York interstate banking law expressly provides that out-of-state bank holding companies may acquire banks located in New York upon the prior approval of the New York superintendent of banks.[5] The New York superintendent of banks has reviewed this proposal and determined to approve it. In granting approval of an interstate acquisition of a New York bank, the superintendent is generally required to find that the laws of the state where the out-of-state holding company is located permit the acquisition of banks in that state by New York bank holding companies on a reciprocal basis.[6] Illinois will permit interstate acquisitions on a nationwide basis effective December 1, 1990.[7]

While the Illinois nationwide reciprocal banking statute is not yet effective, the New York state bank-

1. A list of the nonbanking subsidiaries that ABN Holdings has proposed to acquire pursuant to section 4(c)(8) of the BHC Act is set forth in the Appendix.

2. Upon consummation of the proposed transaction, Applicants will acquire the following bank holding companies and bank subsidiaries of Amro and Algemene: ABN/LaSalle North America, Inc., Chicago, Illinois; and LaSalle National Corporation, Chicago, Illinois, and thereby indirectly acquire LaSalle Bank Lake View, Chicago, Illinois; LaSalle Bank of Lisle, Lisle, Illinois; LaSalle National Bank, Chicago, Illinois; LaSalle Bank Northbrook, Northbrook, Illinois; LaSalle Northwest National Bank, Chicago, Illinois; LaSalle Bank Westmont, Westmont, Illinois; and Exchange Bancorp, Inc., Chicago, Illinois, and thereby indirectly acquire Exchange National Bank of Chicago, Chicago, Illinois; Exchange Bank of DuPage, Oak Brook, Illinois; Exchange Bank of River Oaks, Calumet City, Illinois; Exchange Bank of Lake County, Vernon Hills, Illinois; and European American Bancorp, New York, New York, and thereby indirectly acquire European American Bank, New York, New York.

3. 12 U.S.C. § 1842(d).

4. A bank holding company's principal state of operation for purposes of the Douglas Amendment is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted (based on deposits) on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

5. N.Y. Banking Law, § 142-b.1. (McKinney 1990).

6. *Id.*

7. Ill. Rev. Stat. ch. 17, para. 2510.01 (Smith-Hurd Supp. 1989), effective December 1, 1990.

ing code provides that the New York banking board may waive or vary any requirement of New York banking law if the board finds that such variation is "necessary because of the existence of unusual and extraordinary circumstances."[8] In this case, the New York banking board has determined to waive the reciprocity finding that the superintendent ordinarily must make to approve the transaction. In determining to waive this finding, the New York banking board considered the predominately foreign nature of the proposed transaction; the fact that Illinois has enacted a law providing for reciprocal banking acquisitions with New York that will become effective in December of this year; and the potential adverse effects on Algemene and Amro of delaying until December consummation of the proposed transaction.

Because the statute laws of New York authorize the interstate acquisition of New York banks in any case in which the New York superintendent's approval has been given and the New York superintendent has given that approval in this case after the New York banking board lawfully waived the requirement that the New York superintendent make a finding regarding the reciprocity of the Illinois statute, the Board concludes that the proposed transaction is "specifically authorized" under New York law. Accordingly, the Board's approval of this proposal is not barred by the Douglas Amendment.

Algemene, with consolidated assets equivalent to approximately $90.7 billion, is the 47th largest banking organization in the world and the third largest banking organization in The Netherlands.[9] In the United States, Algemene maintains, in addition to its ten subsidiary banks, branches in Chicago, New York and Pittsburgh; limited branches in Boston and Seattle; agencies in Atlanta, Houston, Miami, Los Angeles and San Francisco; and an Edge corporation, ABN Bank International USA Inc., Chicago, Illinois, with a branch in Houston.

Amro, with consolidated assets equivalent to approximately $94.1 billion, is the 48th largest banking organization in the world and the second largest banking organization in The Netherlands. In the United States, Amro maintains, in addition to European American Bank, Uniondale, New York, a branch in New York, and representative offices in Chicago, Houston, and Los Angeles. ABN Holdings will conform the deposit-taking activities of Amro's New York branch to those of an Edge corporation under section 25(a) of the Federal Reserve Act (12 U.S.C. § 611 *et seq.*).[10]

The subsidiary banks of Algemene and Amro do not currently compete directly in any state or in any banking market. The New York branch of Algemene, however, currently competes in the Metropolitan New York-New Jersey banking market[11] with Amro's subsidiary bank holding company, European American Bancorp, Uniondale, New York ("EAB"), and its subsidiary bank, European American Bank, as well as Amro's New York branch.

Algemene's New York branch controls less than one percent of the total deposits in commercial banking organizations in the Metropolitan New York-New Jersey banking market. Amro's New York branch controls less than one percent of the total deposits in commercial banking organizations in the market, and EAB controls less than two percent of the total deposits in commercial banking organizations in the market. Upon consummation of the proposed transaction, ABN Holdings would control less than four percent of the total deposits in commercial banking organizations in the market and the market would remain unconcentrated. On the basis of the facts of record, the Board

8. N.Y. Banking Law § 14.1.(p) (McKinney 1990).

9. Banking data are as of December 31, 1989. Worldwide ranking is as of December 31, 1988.

10. ABN Holdings has indicated that it intends to designate Illinois as its home state for purposes of the International Banking Act ("IBA") (12 U.S.C. § 3101 *et seq.*). Illinois is currently the home state of Algemene. Section 5 of the IBA generally provides that no foreign bank may establish a state branch outside of its home state unless the establishment of such branch is specifically authorized by state law and the foreign bank agrees to limit the deposit-taking activities of such branch to those permissible for an Edge corporation. Foreign banks may also retain branches established before July 27, 1978.

The Board has previously determined that in an acquisition or merger of foreign banking organizations, only the surviving organization may retain its out-of-home state branches as full-service branches. *Lloyds Bank Plc*, 72 *Federal Reserve Bulletin* 841 (1986); *The Mitsui Bank, Limited*, 76 *Federal Reserve Bulletin* 381 (1990). In fact, the proposed transaction has the same effect in the United States as a merger in which Algemene is the surviving company since Algemene has a larger presence in the United States than Amro in terms of controlled U.S. deposits, and ABN Holdings has indicated that it will for purposes of the IBA retain Illinois, Algemene's current home state, as ABN Holdings's home state following consummation of the proposed transaction. ABN Holdings has also represented that Algemene and Amro will merge sometime in the near future. ABN Holdings's retention of Algemene's grandfathered branches will not increase the number of foreign banks possessing grandfather rights nor will it increase the number of Algemene's grandfathered branches. Accordingly, the Board has determined that ABN Holdings may succeed to Algemene's grandfathered branches. Since Amro's branch is located outside of ABN Holdings's home state, ABN Holdings has agreed to conform within six months the deposit-taking activities of Amro's New York branch to those of an Edge corporation, consistent with previous Board decisions.

11. The Metropolitan New York-New Jersey banking market includes New York City; Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; and parts of Fairfield County in Connecticut. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), this market is considered unconcentrated.

concludes that consummation of this proposal would not have a significantly adverse effect on competition in the Metropolitan New York-New Jersey banking market.

Section 3(c) of the BHC Act requires in every case that the Board consider the financial resources of the applicant organization. In this case, the Board notes that the primary capital of ABN Holdings, after making certain adjustments to reflect differences in accounting practice, would be approximately at the minimum capital level for U.S. multinational bank holding companies set forth in the Board's Capital Adequacy Guidelines. The Board has also considered that the *pro forma* risk-based capital ratios of ABN Holdings exceed the 1992 minimum standards adopted by the Basle Committee. In addition, this proposal represents a consolidation of two foreign banking organizations and does not result in the expansion of banking or nonbanking activities in the United States. In view of these and other facts of record, the Board has determined that financial factors are consistent with approval of the applications.

The managerial resources and future prospects of ABN Holdings is consistent with approval. The Board has also determined that considerations relating to the convenience and needs of the community to be served are consistent with approval.

ABN Holdings has also applied, pursuant to section 4(c)(8) of the BHC Act, to acquire certain nonbanking subsidiaries of Algemene and Amro. The Board has determined by regulation or order that each of these activities is permissible for bank holding companies under section 4(c)(8) of the BHC Act, and ABN Holdings proposes to conduct these activities in accordance with the Board's regulations and orders. The nonbanking activities in which both Algemene and Amro compete are conducted in geographic markets that are regional or national in scope. These markets are served by numerous competitors, and neither Algemene nor Amro has a significant market share. Accordingly, the Board concludes that consummation of this proposal would not have any significantly adverse effect on competition in the provision of these services in any relevant market. Furthermore, there is no evidence in the record to indicate that consummation of this proposal will result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or any other significantly adverse effects. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of ABN Holdings' application to acquire the nonbanking subsidiaries of Algemene and Amro.

The financial and managerial resources of ABN Holdings are consistent with approval of its indirect acquisition of ABN Bank International USA Inc. The acquisition would result in the continuation of the international services currently provided, and would be in the public interest. Accordingly, the Board finds that the continued operation of ABN Bank International USA Inc. upon acquisition by ABN Holdings is consistent with the purposes of the Edge Act.

Based on the foregoing and other facts of record, the Board has determined that consummation of the proposed transaction would be consistent with the public interest. Accordingly, the Board has determined that the applications under sections 3 and 4 of the BHC Act and under the Edge Act should be, and hereby are, approved. The bank acquisitions shall not be consummated before the thirtieth calendar day following the effective date of this Order, and the proposed bank and nonbank acquisitions shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority. The determinations as to the nonbanking activities are subject to all of the conditions contained in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective July 23, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

WM Bancorp Cumberland, Maryland

Order Approving the Merger of Bank Holding Companies

WM Bancorp, Cumberland, Maryland ("WM"), a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended ("BHC Act"), has applied for the Board's approval under section 3(a)(5) of the BHC Act (12 U.S.C. § 1842(a)(5)) to merge with Potomac Bancorp, Inc., Keyser, West

Virginia ("Potomac"), and thereby to acquire its subsidiary bank, The National Bank of Keyser, Keyser, West Virginia.

WM has also applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire Potomac's nonbanking subsidiary, Eastern Servicecenter, Inc., Keyser, West Virginia, and thereby engage in data processing activities. These activities are authorized for bank holding companies pursuant to the Board's Regulation Y, 12 C.F.R. 225.25(b)(7).

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (55 *Federal Register* 8989 (1990)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4 of the BHC Act.

WM controls two banking subsidiaries located in Maryland. WM is the 20th largest commercial banking organization in Maryland, controlling deposits of $265.1 million, representing less than one percent of the total deposits in commercial banks in Maryland.[1] Potomac operates one banking subsidiary in West Virginia. Potomac is the 60th largest commercial banking organization in West Virginia, controlling deposits of $55.6 million, representing less than one percent of the total deposits in commercial banks in West Virginia. Consummation of this proposal would not have a significantly adverse effect upon the concentration of commercial banking resources in either state.

Section 3(d) of the BHC Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect and not merely by implication." WM's home state is Maryland.[2] The statute laws of West Virginia expressly authorize the acquisition of a banking institution in West Virginia by a bank holding company that controls a bank located in specified states, including Maryland. The Board has determined previously that a Maryland bank holding company may acquire a bank holding company in West Virginia,[3] and the West Virginia Board of Banking and Financial Institutions has specifically authorized this acquisition. Based on the foregoing and other facts of record, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of West Virginia, and that Board approval of the proposal is not prohibited by the Douglas Amendment.

WM and Potomac compete directly in the Cumberland, Maryland banking market.[4] WM is the second largest of seven commercial banking organizations in the market, representing 29.0 percent of the total deposits in commercial banking organizations in the market ("market deposits"). Potomac is the sixth largest commercial banking organization in the Cumberland market, controlling 6.1 percent of market deposits. Upon consummation of this proposal, WM would become the largest commercial banking organization in the market, controlling 35.1 percent of market deposits. The Cumberland banking market is considered highly concentrated. The Herfindahl-Hirschman Index ("HHI") would increase by 353 points to 2800.[5]

Although consummation of this proposal would eliminate some existing competition in the Cumberland banking market, several factors mitigate the potential anticompetitive effects of this proposal. The Board has considered the presence of thrift institutions in the Cumberland market in its analysis of the proposal. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks.[6] Two thrift institutions operate in the Cumberland market and control over 25 percent of the total deposits in the market. The second largest depository institution in the market is a thrift institution and both thrift institutions exert a considerable competitive influence in the market as especially strong providers of transaction accounts and consumer loans. Based on the size, market share, and activities of the thrift institutions in the Cumberland banking market, and other facts of record, the Board has concluded that thrift

1. State and market deposit data are as of June 30, 1989.

2. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

3. *First United Corporation*, 74 *Federal Reserve Bulletin* 275 (1988).

4. The Cumberland banking market consists of Allegany and Garrett Counties in Maryland, and Mineral County in West Virginia.

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

6. *Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *CB&T Bancshares, Inc.*, 75 *Federal Reserve Bulletin* 381 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

institutions exert a competitive influence that mitigates the anticompetitive effects of this proposal.[7]

In addition, the Board gives substantial weight to the fact that six banks and two thrift institutions would remain as competitors in the market upon consummation of this proposal, as well as numerous credit unions and other providers of financial services. For these reasons and based on all the facts of record in this case, the Board believes that consummation of this proposal would not have a significantly adverse effect on competition in the Cumberland banking market.

The financial and managerial resources of WM and Potomac are consistent with approval. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of this application.

WM also has applied, pursuant to section 4(c)(8) of the BHC Act, to acquire Eastern Servicecenter, a subsidiary of Potomac that engages in data processing activities. WM operates a data processing subsidiary that competes with Potomac's subsidiary in this market. The market share controlled by each of these subsidiaries is small, and there are numerous competitors for these services. Accordingly, consummation of this proposal would have a *de minimis* effect on competition for data processing services, and the Board concludes that consummation of this proposal is not likely to result in any other significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the application to acquire the nonbanking subsidiary of Potomac.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the BHC Act should be, and hereby are, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Richmond, acting pursuant to delegated authority. The determinations as to the nonbanking activities are subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective July 16, 1990.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

7. If 50 percent of the deposits held by thrifts were included in calculation of market concentration, WM would control 24.8 percent of market deposits and Potomac would control 5.2 percent. The HHI would increase by 258 points to 2231.

Orders Issued Under the Financial Institutions Reform, Recovery, and Enforcement Act

July 6, 1990

William B. Naryka
Chief Financial Officer
Bremer Financial Corporation
Suite 700
55 East Fifth Street
St. Paul, Minnesota 55101

Dear Mr. Naryka:

The Otto Bremer Foundation, St. Paul, Minnesota, and Bremer Financial Corporation, St. Paul, Minnesota ("Bremer"), proposes that its bank subsidiary, Drovers First American Bank of South St. Paul, South St. Paul, Minnesota, purchase the assets and assume the liabilities of First American Savings and Loan of South St. Paul, Roseville, Minnesota ("First American"), its savings association subsidiary. Bremer has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989)). First American has been established to acquire certain assets and assume deposit liabilities of United Savings Bank, f.s.b., Windom, Minnesota ("United").

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Bremer is $1.9 billion, an amount which is not less than 200 percent of the total assets of First American, which currently has $66 million in total assets;

(2) Bremer and all of its bank subsidiaries currently meet all applicable capital standards and, upon

consummation of the proposed transaction, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) United, the predecessor to First American, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Bremer;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of First American, a savings association located in Minnesota, by a bank subsidiary of Bremer, a bank holding company whose banking subsidiaries' operations are principally conducted in Minnesota, would comply with the requirements of section 3(d) of the Bank Holding Company Act if First American were a state bank which Bremer was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Bremer obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Minneapolis

July 6, 1990

Mark A. Anderson
Executive Vice President and
Chief Financial Officer
Community First Bankshares, Inc.
16 Broadway, Suite 304
P.O. Box 6022
Fargo, North Dakota 58108

Dear Mr. Anderson:

Community First Bankshares, Inc., Fargo, North Dakota ("Community First"), proposes that its bank subsidiary, Community First National Bank of Windom, Windom, Minnesota, purchase the assets and assume the liabilities of Windom Interim Savings, f.s.b., Windom, Minnesota ("Windom Interim"), its savings association subsidiary. Community First has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989)). Windom Interim has been established to acquire certain assets and assume deposit liabilities of United Savings Bank, f.s.b., Windom, Minnesota ("United").

The record in this case shows that:
(1) The aggregate amount of the total assets of all depository institution subsidiaries of Community First is $542 million, an amount which is not less than 200 percent of the total assets of Windom Interim, which currently has $60 million in total assets;
(2) Community First and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transaction, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) United, the predecessor to Windom Interim, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Community First;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of Windom Interim, a savings association located in Minnesota, by a bank subsidiary of Community First, a bank holding company whose banking subsidiaries' operations are principally conducted in South Dakota, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Windom Interim were a state bank which Community First was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Community First obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Minneapolis

July 27, 1990

Bruce Moland
Vice President and Assistant General Counsel
Norwest Corporation
Norwest Center
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479-1026

Dear Mr. Moland:

Norwest Corporation, Minneapolis, Minnesota, ("Norwest"), proposes that its bank subsidiary, Norwest Bank South Dakota, N.A., Sioux Falls, South Dakota ("Bank"), merge with its savings association subsidiary, Yankton Savings and Loan Association, Yankton, South Dakota ("Yankton"). Norwest has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)).[1]

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Norwest is $20.2 billion, an amount which is not less than 200 percent of the total assets of Yankton, which currently has $35.4 million in total assets;

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

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

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

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

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Norwest obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of Minneapolis

1. 12 U.S.C. § 1815(d)(3). Section 5(d)(3) of the FDI Act ("the Oakar Amendment") permits the merger of a savings association owned by a bank holding company into a subsidiary bank owned by the same bank holding company under certain circumstances. In this case, the merger of Yankton, which is a state-chartered mutual savings and loan association, into Bank will be facilitated by the intermediate conversion of Yankton into a federally-chartered stock savings bank and then into a national banking association ("the interim bank"). The interim bank is chartered solely to accommodate the requirements of the appropriate merger statutes and will cease to exist immediately upon consummation of the underlying transaction without ever having conducted any banking business. Under the circumstances, the structure of the proposal does not appear to cause an otherwise qualifying transaction to fall outside of the bounds of the Oakar Amendment. *See, e.g., Baltimore Bancorp*, 76 *Federal Reserve Bulletin* 689 (1990); *Marshall & Ilsley Corporation*, 76 *Federal Reserve Bulletin* 556 (1990).

July 31, 1990

Robert D. Geddes
Corporate Counsel
U. S. Bancorp
111 S.W. Fifth Avenue
Portland, Oregon 97204

Dear Mr. Geddes:

U. S. Bancorp, Portland, Oregon ("Bancorp"), proposes that its indirect savings association subsidiary, Mother Lode Savings Bank, Sacramento, California ("Mother Lode"), merge into Bancorp's bank subsidiary, U. S. Bank of California, Eureka, California ("Bank"). Bancorp has requested Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act") as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101–73, § 206, 103 Stat. 183, 199 (1989)). The merger transaction would be facilitated by the prior merger of a merger corporation subsidiary of Bank, USBC Merger Corporation, San Francisco, California ("USBC Merger"), into Mother Lode. USBC Merger is not a savings association.

The record in this case shows that:

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Bancorp is

$16.1 billion, an amount which is not less than 200 percent of the total assets of USBC, which currently has $111.3 million in total assets;
(2) Bancorp and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transaction, will continue to meet all applicable capital standards;
(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
(4) Mother Lode, the predecessor to USBC, had tangible capital of less than 4 percent during the quarter preceding its acquisition by Bancorp;
(5) The transaction, which involves the purchase of assets and assumption of liabilities of USBC, a savings association located in California, by a bank subsidiary of Bancorp, a bank holding company whose banking subsidiaries' operations are principally conducted in Oregon, would comply with the requirements of section 3(d) of the Bank Holding Company Act if USBC were a state bank which Bancorp was applying to acquire.

Based on the foregoing and all of the other facts of record, the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board, acting pursuant to authority delegated by the Board of Governors, hereby approve your request to engage in the proposed transaction under section 5(d)(3) of the FDI Act. This approval is subject to Bancorp obtaining the required approval of the appropriate Federal banking agency for the proposed merger under the Bank Merger Act.

Very truly yours,

William W. Wiles
Secretary of the Board

cc: Federal Reserve Bank of San Francisco

Applications Approved Under Bank Holding Company Act

By the Secretary of the Board

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

Section 4

Applicant(s)	Bank(s)	Effective date
First Chicago Corporation, Chicago, Illinois	Lincoln-Way Federal Savings Bank, New Lenox, Illinois	July 20, 1990
Security Pacific Corporation, Los Angeles, California	Gibraltar Federal Interim Savings and Loan Association, Los Angeles, California Gibraltar Interim Savings Bank, Los Angeles, California	June 29, 1990
U.S. Bancorp, Portland, Oregon	Mother Lode Savings Bank, Sacramento, California	July 31, 1990

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
American Capital Corporation, Centerville, Texas	Guaranty Bond State Bank of Waller, Waller, Texas	Dallas	July 2, 1990
Amsterdam-Rotterdam Bank N.V., Amsterdam, The Netherlands Stichting Amro, Amsterdam, The Netherlands	European American Bancorp, Uniondale, New York	New York	June 29, 1990
Barclays PLC, London, England Barclays Bank PLC, London, England	Barclays de Zoete Wedd, Incorporated, New York, New York	New York	July 24, 1990
Barrett Holding Company, Watonga, Oklahoma	Watonga Bancshares, Inc., Watonga, Oklahoma	Kansas City	July 10, 1990
Capitol Bancorp, Ltd., Lansing, Michigan	Ann Arbor Commerce Bank, Ann Arbor, Michigan	Chicago	July 13, 1990
C.B. Bancshares, Inc., Des Peres, Missouri	Century Bank, Des Peres, Missouri	St. Louis	July 17, 1990
Citizens Bancorp of Winfield, Inc., Winfield, Alabama	The Citizens Bank of Winfield, Winfield, Alabama	Atlanta	July 18, 1990
Country Bank Shares, Inc., Milford, Nebraska	Home State Bank, Beaver Crossing, Nebraska Farmers State Bank, Souglas, Nebraska Bank of Palmyra, Palmyra, Nebraska	Kansas City	July 3, 1990
Eastern Bank Corporation, Lynn, Massachusetts	Family Bancorp, Haverhill, Massachusetts	Boston	July 2, 1990
First Banks, Inc., St. Louis, Missouri	Havana Bancshares, Inc., Springfield, Illinois	St. Louis	July 24, 1990
First Camden Bancshares, Inc., Camden, Alabama	The Camden National Bank, Camden, Alabama	Atlanta	June 28, 1990
First Gwinnett Bancshares, Inc., Norcross, Georgia	First Gwinnett Bank, Norcross, Georgia	Atlanta	July 12, 1990
First Midwest Corporation of Delaware, Elmwood Park, Illinois	Midwest Bank and Trust Company of DePage County, East St. Louis, Illinois	Chicago	July 2, 1990
Hampton Family Partnership, Trenton, Kentucky	Todd Bancshares, Inc., Trenton, Kentucky	St. Louis	July 13, 1990
Highlands Bankshares, Inc., Petersburg, West Virginia	The Stockmans Bank of Harman, Harman, West Virginia	Richmond	June 27, 1990

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective date
INB Financial Corporation, Indianapolis, Indiana	Peoples Mid-Illinois Corporation, Bloomington, Illinois	Chicago	July 20, 1990
La Plata Bancshares, Inc., La Plata, Missouri	La Plata State Bank, La Plata, Missouri	St. Louis	July 12, 1990
Logan Bancorporation, Inc., Logan, Iowa	The First National Bank of Logan, Logan, Iowa	Chicago	July 8, 1990
Manufacturers National Corporation, Detroit, Michigan	State Bank of Lake Zurich, Lake Zurich, Illinois	Chicago	June 28, 1990
Marshall & Ilsley Corporation, Milwaukee, Wisconsin	M&I Bank of Oconomowoc, Oconomowoc, Wisconsin	Chicago	July 5, 1990
Minden Exchange Company, Minden, Nebraska	Minden Exchange Bank and Trust Company, Minden, Nebraska	Kansas City	July 13, 1990
Montfort Bancorporation, Inc., Platteville, Wisconsin	The Bloomington State Bank, Bloomington, Wisconsin Clare Bancorporation, Inc., Platteville, Wisconsin	Chicago	July 5, 1990
North Cascades Bancshares, Inc., Chelan, Washington	North Cascades National Bank, Chelan, Washington	San Francisco	June 27, 1990
Old York Road Bancorp, Inc., Willow Grove, Pennsylvania	Bank and Trust Company of Old York Road, Willow Grove, Pennsylvania	Philadelphia	June 28, 1990
Oxford Financial Corporation, Addison, Illinois	Hampton Park Corporation, Romeoville, Illinois	Chicago	July 5, 1990
Palmer Bancorp, Inc., Danville, Illinois	The Citizens State Bank, Williamsport, Indiana	Chicago	July 11, 1990
Peoples Bancorp, Inc. of Bullitt County, Shepherdsville, Kentucky	The Peoples Bank of Bullitt County, Shepherdsville, Kentucky	St. Louis	July 9, 1990
Prairie Farm Bank Shares, Inc., Prairie Farm, Wisconsin	The First State Bank of Prairie Farm, Prairie Farm, Wisconsin	Minneapolis	June 27, 1990
Principal National Bancorp, Inc., Pontiac, Illinois	The Pontiac National Bank, Pontiac, Illinois	Chicago	June 28, 1990
San Diego Bancshares, Inc., San Diego, Texas	First State Bank of San Diego, San Diego, Texas	Dallas	July 13, 1990
The Savannah Bancorp, Inc., Savannah, Georgia	The Savannah Bank, N.A., Savannah, Georgia	Atlanta	July 20, 1990
Sierra Tahoe Bancorp, Truckee, California	Sierra Bank of Nevada, Reno, Nevada	San Francisco	July 5, 1990
Stamford Bank Corp, Stamford, New York	The National Bank of Stamford, Stamford, New York	New York	June 22, 1990

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective date
TeamBanc, Inc., Paola, Kansas TeamBanc, Inc. Employees' Stock Ownership Plan, Paola, Kansas	Iola Bancshares, Inc., Iola, Kansas	Kansas City	June 27, 1990
TwinCo, Inc., Twin Bridges, Montana	Bank of Sheridan, Sheridan, Montana	Minneapolis	June 29, 1990
UNC Holding, Inc., Sioux Falls, South Dakota	United National Corporation, Sioux Falls, South Dakota	Minneapolis	July 6, 1990
UniBanc Corp., Trenton, Nebraska	Thuman Corporation, Maywood, Nebraska Treleco, Inc., Trenton, Nebraska	Kansas City	June 29, 1990
UniBanc Corp. Employee Stock Ownership Plan, Trenton, Nebraska	UniBanc Corp., Trenton, Nebraska	Kansas City	June 29, 1990
U.S.B. Corporation, Washington, Indiana	Martinco Financial Corp., Shoals, Indiana	St. Louis	July 20, 1990
Valley Bancorporation, Appleton, Wisconsin	Valley Bank Milwaukee, Greenfield, Wisconsin	Chicago	July 13, 1990
Wilber Co., Wilber, Nebraska	Hallam Bancorp, Inc., Hallam, Nebraska	Kansas City	June 28, 1990

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective date
BB&T Financial Corporation, Wilson, North Carolina	Carolina Bancorp, Inc., High Point, North Carolina	Richmond	July 16, 1990
FB&T Corporation, Hanover, Pennsylvania	Monumental Savings Bank, Baltimore, Maryland	Philadelphia	June 22, 1990
First Bancorporation of Ohio, Akron, Ohio	Peoples Federal Savings Bank, Ashtabula, Ohio	Cleveland	July 3, 1990
First of America Bank Corporation, Kalamazoo, Michigan	Pension and Group Services, Inc., Kalamazoo, Michigan	Chicago	June 29, 1990
First of America Bank Corporation, Kalamazoo, Michigan	Shelby Federal Savings Bank, Indianapolis, Indiana	Chicago	July 16, 1990
Norwest Corporation, Minneapolis, Minnesota Norwest Financial Services, Inc., Des Moines, Iowa Norwest Financial Inc., Des Moines, Iowa	American Credit Associates, Inc., City of Commerce, California	Minneapolis	July 11, 1990
F.N.B. Corporation, Hermitage, Pennsylvania	Dollar Savings Association, New Castle, Pennsylvania	Cleveland	July 23, 1990

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective date
Societe Generale, Paris, France	LAS Investments, Inc., Chicago, Illinois	New York	June 29, 1990
West Suburban Bancorp, Inc., Lombard, Illinois	Aurora Federal Savings Bank, F.S.B., Aurora, Illinois	Chicago	July 13, 1990

APPLICATIONS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective date
Albemarle Bank and Trust Company d/b/a F&M Bank - Charlottesville, Charlottesville, Virginia	Peoples Bank of Central Virginia, Lovingston, Virginia	Richmond	July 18, 1990
Citizens Trust and Savings Bank, South Haven, Michigan	Fidelity Federal Savings and Loan Association, Kalamazoo, Michigan	Chicago	June 28, 1990
First of America Bank-Northern Michigan, Traverse City, Michigan	First of America Bank-Lewiston, Lewiston, Michigan	Chicago	July 19, 1990
Signet Bank/Virginia, Richmond, Virginia	Perpetual Savings Bank, F.S.B., McLean, Virginia	Richmond	July 20, 1990
Valley Bank of Nevada, Las Vegas, Nevada	Comstock Bank, Carson City, Nevada	San Francisco	July 2, 1990

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

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

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

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

California Association of Life Underwriters v. Board of Governors, No. 90-70123 (9th Circuit, filed March 15, 1990). Petition for review of Board order approving acquisition of bank subsidiary to engage in insurance activities pursuant to state law. Petitioner's motion to dismiss the petition granted on June 29, 1990.

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

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

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

Woodard v. Board of Governors, No. 90–3031 (11th Cir., filed January 16, 1990); *Kaimowitz v. Board of Governors,* No. 90–3067 (11th Cir., filed January 23, 1990). Petitions for review of Board order dated December 22, 1989, approving application by First Union Corporation to acquire Florida National Banks. Petitioners object to approval on Community Reinvestment Act grounds. The Board's motion to dismiss the *Woodard* case was granted June 26, 1990.

Securities Industry Association v. Board of Governors, No. 89–1730 (D.C. Cir., filed November 29, 1989). Petition for review of Board order approving application under section 4(c)(8) to engage in private placement and riskless principal activities. Joint stipulation of dismissal filed on July 19, 1990.

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

Consumers Union of U.S., Inc. v. Board of Governors, No. 89–3008 (D.D.C., filed November 1, 1989). Challenge to various aspects of amendments to Regulation Z implementing the Home Equity Loan Consumer Protection Act. On May 2, 1990, the court upheld the Board's regulatory action. On June 27, Consumers Union filed a notice of appeal in the D.C. Circuit.

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

MCorp v. Board of Governors, No. 89–2816 (5th Cir., filed May 2, 1989). Appeal of preliminary injunction against the Board enjoining pending and future enforcement actions against a bank holding company now in bankruptcy. On May 15, 1990, the Fifth Circuit vacated the district court's order enjoining the Board from proceeding with enforcement actions based on section 23A of the Federal Reserve Act, but upheld the district court's order enjoining such actions based on the Board's source-of-strength doctrine. Board's petition for rehearing filed on June 27, 1990.

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

Securities Industry Association v. Board of Governors, No. 89–1127 (D.C. Cir., filed February 16, 1989). Petition for review of Board order permitting five bank holding companies to engage to a limited extent in additional securities underwriting and dealing activities. Board's order upheld on April 10, 1990.

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

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

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

Lewis v. Board of Governors, Nos. 87–3455, 87–3545 (11th Cir., filed June 25, August 3, 1987). Petitions for review of Board orders approving applications of non-Florida bank holding companies to expand activities of Florida trust company subsidiaries. Joint motion to dismiss granted on July 3, 1990.

Membership of the Board of Governors of the Federal Reserve System, 1913–90

APPOINTIVE MEMBERS[1]

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
Charles S. Hamlin	Boston	Aug. 10, 1914	Reappointed in 1916 and 1926. Served until Feb. 3, 1936.[3]
Paul M. Warburg	New York	do	Term expired Aug. 9, 1918.
Frederic A. Delano	Chicago	do	Resigned July 21, 1918.
W.P.G. Harding	Atlanta	do	Term expired Aug. 9, 1922.
Adolph C. Miller	San Francisco	do	Reappointed in 1924. Reappointed in 1934 from the Richmond District. Served until Feb. 3, 1936.[3]
Albert Strauss	New York	Oct. 26, 1918	Resigned Mar. 15, 1920.
Henry A. Moehlenpah	Chicago	Nov. 10, 1919	Term expired Aug. 9, 1920.
Edmund Platt	New York	June 8, 1920	Reappointed in 1928. Resigned Sept. 14, 1930.
David C. Wills	Cleveland	Sept. 29, 1920	Term expired Mar. 4, 1921.
John R. Mitchell	Minneapolis	May 12, 1921	Resigned May 12, 1923.
Milo D. Campbell	Chicago	Mar. 14, 1923	Died Mar. 22, 1923.
Daniel R. Crissinger	Cleveland	May 1, 1923	Resigned Sept. 15, 1927.
George R. James	St. Louis	May 14, 1923	Reappointed in 1931. Served until Feb. 3, 1936.[4]
Edward H. Cunningham	Chicago	do	Died Nov. 28, 1930.
Roy A. Young	Minneapolis	Oct. 4, 1927	Resigned Aug. 31, 1930.
Eugene Meyer	New York	Sept. 16, 1930	Resigned May 10, 1933.
Wayland W. Magee	Kansas City	May 18, 1931	Term expired Jan. 24, 1933.
Eugene R. Black	Atlanta	May 19, 1933	Resigned Aug. 15, 1934.
M.S. Symczak	Chicago	June 14, 1933	Reappointed in 1936 and 1948. Resigned May 31, 1961.
J.J. Thomas	Kansas City	do	Served until Feb. 10, 1936.[3]
Marriner S. Eccles	San Francisco	Nov. 15, 1934	Reappointed in 1936, 1940, and 1944. Resigned July 14, 1951.
Joseph A. Broderick	New York	Feb. 3, 1936	Resigned Sept. 30, 1937.
John K. McKee	Cleveland	do	Served until Apr. 4, 1946.[3]
Ronald Ransom	Atlanta	do	Reappointed in 1942. Died Dec. 2, 1947.
Ralph W. Morrison	Dallas	Feb. 10, 1936	Resigned July 9, 1936.
Chester C. Davis	Richmond	June 25, 1936	Reappointed in 1940. Resigned Apr. 15, 1941.
Ernest G. Draper	New York	Mar. 30, 1938	Served until Sept. 1, 1950.[3]
Rudolph M. Evans	Richmond	Mar. 14, 1942	Served until Aug. 13, 1954.[3]
James K. Vardaman, Jr.	St. Louis	Apr. 4, 1946	Resigned Nov. 30, 1958.
Lawrence Clayton	Boston	Feb. 14, 1947	Died Dec. 4, 1949.
Thomas B. McCabe	Philadelphia	Apr. 15, 1948	Resigned Mar. 31, 1951.
Edward L. Norton	Atlanta	Sept. 1, 1950	Resigned Jan. 31, 1952.
Oliver S. Powell	Minneapolis	do	Resigned June 30, 1952.
Wm. McC. Martin, Jr.	New York	April 2, 1951	Reappointed in 1956. Term expired Jan. 31, 1970.
A.L. Mills, Jr.	San Francisco	Feb. 18, 1952	Reappointed in 1958. Resigned Feb. 28, 1965.
J.L. Robertson	Kansas City	do	Reappointed in 1964. Resigned Apr. 30, 1973.
C. Canby Balderston	Philadelphia	Aug. 12, 1954	Served through Feb. 28, 1966.
Paul E. Miller	Minneapolis	Aug. 13, 1954	Died Oct. 21, 1954.
Chas. N. Shepardson	Dallas	Mar. 17, 1955	Retired Apr. 30, 1967.
G.H. King, Jr.	Atlanta	Mar. 25, 1959	Reappointed in 1960. Resigned Sept. 18, 1963.
George W. Mitchell	Chicago	Aug. 31, 1961	Reappointed in 1962. Served until Feb. 13, 1976.[3 2]
J. Dewey Daane	Richmond	Nov. 29, 1963	Served until Mar. 8, 1974.[3]

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
Sherman J. Maisel	San Francisco	Apr. 30, 1965	Served through May 31, 1972.
Andrew F. Brimmer	Philadelphia	Mar. 9, 1966	Resigned Aug. 31, 1974.
William W. Sherrill	Dallas	May 1, 1967	Reappointed in 1968. Resigned Nov. 15, 1971.
Arthur F. Burns	New York	Jan. 1, 1970	Term began Feb. 1, 1970. Resigned Mar. 31, 1978.
John E. Sheehan	St. Louis	Jan. 4, 1972	Resigned June 1, 1975.
Jeffrey M. Bucher	San Francisco	June 5, 1972	Resigned Jan. 2, 1976.
Robert C. Holland	Kansas City	June 11, 1973	Resigned May 15, 1976.
Henry C. Wallich	Boston	Mar. 8, 1974	Resigned Dec. 15, 1986.
Philip E. Coldwell	Dallas	Oct. 29, 1974	Served through Feb. 29, 1980.
Philip C. Jackson, Jr.	Atlanta	July 14, 1975	Resigned Nov. 17, 1978.
J. Charles Partee	Richmond	Jan. 5, 1976	Served until Feb. 7, 1986.[3]
Stephen S. Gardner	Philadelphia	Feb. 13, 1976	Died Nov. 19, 1978.
David M. Lilly	Minneapolis	June 1, 1976	Resigned Feb. 24, 1978.
G. William Miller	San Francisco	Mar. 8, 1978	Resigned Aug. 6, 1979.
Nancy H. Teeters	Chicago	Sept. 18, 1978	Served through June 27, 1984.
Emmett J. Rice	New York	June 20, 1979	Resigned Dec. 31, 1986.
Frederick H. Schultz	Atlanta	July 27, 1979	Served through Feb. 11, 1982.
Paul A. Volcker	Philadelphia	Aug. 6, 1979	Resigned August 11, 1987.
Lyle E. Gramley	Kansas City	May 28, 1980	Resigned Sept. 1, 1985.
Preston Martin	San Francisco	Mar. 31, 1982	Resigned April 30, 1986.
Martha R. Seger	Chicago	July 2, 1984	
Wayne D. Angell	Kansas City	Feb. 7, 1986	
Manuel H. Johnson	Richmond	Feb. 7, 1986	Resigned August 3, 1990.
H. Robert Heller	San Francisco	Aug. 19, 1986	Resigned July 31, 1989.
Edward W. Kelley, Jr.	Dallas	May 26, 1987	Reappointed in 1990.
Alan Greenspan	New York	Aug. 11, 1987	
John P. LaWare	Boston	Aug. 15, 1988	
David W. Mullins, Jr.	St. Louis	May 21, 1990	

Chairmen[4]

Charles S. Hamlin	Aug. 10, 1914–Aug. 9, 1916
W.P.G. Harding	Aug. 10, 1916–Aug. 9, 1922
Daniel R. Crissinger	May 1, 1923–Sept. 15, 1927
Roy A. Young	Oct. 4, 1927–Aug. 31, 1930
Eugene Meyer	Sept. 16, 1930–May 10, 1933
Eugene R. Black	May 19, 1933–Aug. 15, 1934
Marriner S. Eccles	Nov. 15, 1934—Jan. 31, 1948
Thomas B. McCabe	Apr. 15, 1948–Mar. 31, 1951
Wm. McC. Martin, Jr.	Apr. 2, 1951–Jan. 31, 1970
Arthur F. Burns	Feb. 1, 1970–Jan. 31, 1978
G. William Miller	Mar. 8, 1978–Aug. 6, 1979
Paul A. Volcker	Aug. 6, 1979–Aug. 11, 1987
Alan Greenspan	Aug. 11, 1987–

Vice Chairmen[4]

Frederic A. Delano	Aug. 10, 1914–Aug. 9, 1916
Paul M. Warburg	Aug. 10, 1916–Aug. 9, 1918
Albert Strauss	Oct. 26, 1918–Mar. 15, 1920
Edmund Platt	July 23, 1920–Sept. 14, 1930
J.J. Thomas	Aug. 21, 1934–Feb. 10, 1936
Ronald Ransom	Aug. 6, 1956–Dec. 2, 1947
C. Canby Balderston	Mar. 11, 1955–Feb. 28, 1966
J.L. Robertson	Mar. 1, 1966–Apr. 30, 1973
George W. Mitchell	May 1, 1973–Feb. 13, 1976
Stephen S. Gardner	Feb. 13, 1976–Nov. 19, 1978
Frederick H. Schultz	July 27, 1979–Feb. 11, 1982
Preston Martin	Mar. 31, 1982–Mar. 31, 1986
Manuel H. Johnson	Aug. 4, 1986–Aug. 3, 1990

EX-OFFICIO MEMBERS[1]

Secretaries of the Treasury

W.G. McAdoo	Dec. 23, 1913–Dec. 15, 1918
Carter Glass	Dec. 16, 1918–Feb. 1, 1920
David F. Houston	Feb. 2, 1920–Mar. 3, 1921
Andrew W. Mellon	Mar. 4, 1921–Feb. 12, 1932
Ogden L. Mills	Feb. 12, 1932–Mar. 4, 1933
William H. Woodin	Mar. 4, 1933–Dec. 31, 1933
Henry Morgenthau Jr.	Jan. 1, 1934–Feb. 1, 1936

Comptrollers of the Currency

John Skelton Williams	Feb. 2, 1914–Mar. 2, 1921
Daniel R. Crissinger	Mar. 17, 1921–Apr. 30, 1923
Henry M. Dawes	May 1, 1923–Dec. 17, 1924
Joseph W. McIntosh	Dec. 20, 1924–Nov. 20, 1928
J.W. Pole	Nov. 21, 1928–Sept. 20, 1932
J.F.T. O'Connor	May 11, 1933–Feb. 1, 1936

1. Under the provisions of the original Federal Reserve Act, the Federal Reserve Board was composed of seven members, including five appointive members, the Secretary of the Treasury, who was ex-officio chairman of the Board, and the Comptroller of the Currency. The original term of office was ten years, and the five original appointive members had terms of two, four, six, eight, and ten years respectively. In 1922 the number of appointive members was increased to six, and in 1933 the term of office was increased to twelve years. The Banking Act of 1935, approved Aug. 23, 1935, changed the name of the Federal Reserve Board to the Board of Governors of the Federal Reserve System and provided that the Board should be composed of seven appointive members; that the Secretary of the Treasury and the Comptroller of the Currency should continue to serve as members until Feb. 1, 1936, or until their successors were appointed and had qualified; and that thereafter the terms of members should be fourteen years and that the designation of Chairman and Vice Chairman of the Board should be for a term of four years.

2. Date after words "Resigned" and "Retired" denotes final day of service.

3. Successor took office on this date.

4. Chairman and Vice Chairman were designated Governor and Vice Governor before Aug. 23, 1935.

Financial and Business Statistics

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

CONTENTS

Domestic Financial Statistics

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

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

Monetary and credit aggregates	1989		1990		1990				
	Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.	May	June
Reserves of depository institutions[2]									
1 Total	.6	5.1	2.4	−1.4	6.4	1.6	−.4	−9.8	−1.0
2 Required	.5	5.0	2.5	−.9	7.1	4.2	−1.2	−11.3	2.8
3 Nonborrowed	8.6	7.2	−3.9	−1.0	−13.9	−12.1	9.8	−4.1	8.3
4 Monetary base[3]	3.2	4.0	8.5	7.0	9.2	8.7	7.1	3.5	7.6
Concepts of money, liquid assets, and debt[4]									
5 M1	1.8	5.1	4.8	3.6	10.0	5.1	3.9	−2.8	6.1
6 M2	6.9	7.0	6.0	2.4	8.6	5.1	2.1	−2.6	1.9
7 M3	3.9	1.9	2.6	.4	4.2	.9	1.1	−2.8	−.2
8 L	4.4	3.1	2.8	n.a.	2.3	4.4	2.3	−7.0	n.a.
9 Debt	7.3	8.2	6.9	7.0	7.8	7.7	6.3	6.2	n.a.
Nontransaction components									
10 In M2[5]	8.7	7.7	6.4	2.0	8.1	5.1	1.5	−2.6	.6
11 In M3 only[6]	−6.8	−17.0	−10.9	−7.8	−13.4	−16.2	−3.2	−3.0	−9.3
Time and savings deposits									
Commercial banks									
12 Savings	.4	7.2	9.5	5.1	12.6	10.0	2.5	−1.9	9.3
13 MMDAs	5.2	12.3	9.1	10.7	12.3	10.4	10.7	10.3	9.5
14 Small-denomination time[7]	11.9	11.3	7.8	12.1	7.5	5.6	9.4	20.8	18.7
15 Large-denomination time[8,9]	2.9	2.7	−1.6	−3.0	−5.4	−9.3	−5.1	5.5	1.5
Thrift institutions									
16 Savings	−5.2	.2	1.3	.7	7.6	−3.2	4.3	−2.2	−3.8
17 MMDAs	−6.2	4.7	5.7	2.7	8.2	21.6	7.1	−16.7	−14.3
18 Small-denomination time[7]	8.7	−2.5	−4.3	−9.5	−9.0	.2	−7.7	−16.5	−21.0
19 Large-denomination time[8]	−10.7	−28.6	−24.7	−30.6	−21.2	−23.2	−35.0	−40.3	−29.5
Money market mutual funds									
20 General purpose and broker-dealer	37.6	29.1	18.8	−1.0	24.1	1.8	−.7	−20.0	6.0
21 Institution-only	36.6	3.3	10.2	11.7	5.8	19.7	15.9	5.6	.0
Debt components[4]									
22 Federal	4.7	9.5	8.1	10.2	11.3	14.9	7.7	6.6	n.a.
23 Nonfederal	8.1	7.8	6.6	6.0	6.8	5.5	5.9	6.2	n.a.

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

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. (See also table 1.20.)

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

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

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

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

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

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

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

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

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

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

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

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

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1990			1990						
	Apr.	May	June	May 16	May 23	May 30	June 6	June 13	June 20	June 27
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**272,853**	**273,073**	**278,190**	**274,097**	**271,336**	**273,318**	**277,000**	**280,152**	**276,801**	**277,894**
U.S. government securities[1, 2]										
2 Bought outright-system account	223,445	224,344	228,752	224,357	223,075	224,942	227,394	227,798	228,982	229,576
3 Held under repurchase agreements	361	185	930	819	0	0	1,434	2,550	0	0
Federal agency obligations[2]										
4 Bought outright	6,504	6,446	6,446	6,446	6,446	6,446	6,446	6,446	6,446	6,446
5 Held under repurchase agreements	156	156	294	691	0	0	352	907	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions[2]										
7 Adjustment credit	111	205	237	98	62	634	160	740	34	74
8 Seasonal credit	119	248	313	221	265	290	282	281	164	345
9 Extended credit	1,424	852	339	763	1,036	1,159	602	516	312	202
10 Float	659	720	486	601	1,237	432	299	579	494	542
11 Other Federal Reserve assets	40,073	39,917	40,394	40,099	39,214	39,416	40,031	40,334	40,369	40,707
12 Gold stock	11,060	11,063	11,065	11,061	11,065	11,065	11,065	11,065	11,065	11,065
13 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
14 Treasury currency outstanding	19,878	19,949	20,016	19,943	19,957	19,971	19,991	20,005	20,019	20,033
ABSORBING RESERVE FUNDS										
15 Currency in circulation	260,024	262,394	265,776	262,218	262,427	263,790	265,326	265,907	265,822	265,474
16 Treasury cash holdings	549	572	582	570	572	577	582	586	582	578
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,351	5,054	5,078	5,037	5,274	4,562	5,185	4,574	5,003	5,364
18 Foreign	230	214	250	220	213	215	268	217	233	266
19 Service-related balances and adjustments	1,905	2,038	2,010	2,018	2,031	1,992	2,242	1,910	2,037	1,956
20 Other	316	334	289	264	269	575	282	230	302	328
21 Other Federal Reserve liabilities and capital	9,033	9,468	9,788	9,497	9,327	9,386	10,010	10,231	9,553	9,625
22 Reserve balances with Federal Reserve Banks[3]	35,903	32,529	34,016	33,794	30,764	31,774	32,679	36,084	32,870	33,918

Factors	End-of-month figures			Wednesday figures						
	1990			1990						
	Apr.	May	June	May 16	May 23	May 30	June 6	June 13	June 20	June 27
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**273,008**	**275,183**	**279,372**	**275,253**	**271,714**	**272,240**	**278,796**	**283,457**	**276,723**	**279,926**
U.S. government securities[1, 2]										
24 Bought outright-system account	224,468	227,455	231,383	223,872	224,092	224,463	227,329	227,857	229,101	230,978
25 Held under repurchase agreements	0	0	0	3,013	0	0	2,308	1,032	0	0
Federal agency obligations[2]										
26 Bought outright	6,446	6,446	6,446	6,446	6,446	6,446	6,446	6,446	6,446	6,446
27 Held under repurchase agreements	0	0	0	2,077	0	0	702	1,053	0	0
28 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions[2]										
29 Adjustment credit	97	94	49	36	64	75	16	5,080	48	84
30 Seasonal credit	183	289	374	230	900	291	277	295	171	356
31 Extended credit	732	717	163	716	274	1,009	302	272	332	168
32 Float	277	316	575	953	662	441	1,130	685	189	1,052
33 Other Federal Reserve assets	40,805	39,866	40,382	37,908	39,277	39,514	40,285	40,736	40,436	40,842
34 Gold stock	11,060	11,065	11,065	11,062	11,065	11,065	11,065	11,065	11,065	11,065
35 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
36 Treasury currency outstanding	19,915	19,985	20,047	19,943	19,957	19,971	19,991	20,005	20,019	20,033
ABSORBING RESERVE FUNDS										
37 Currency in circulation	259,890	265,336	266,979	262,573	262,855	264,828	265,544	266,135	265,737	266,080
38 Treasury cash holdings	561	579	580	572	575	581	586	583	578	580
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	5,205	4,426	5,470	3,817	5,740	4,420	4,780	5,291	5,944	5,915
40 Foreign	402	309	368	215	200	207	223	224	223	189
41 Service-related balances and adjustments	2,344	2,242	1,847	2,018	2,031	1,992	2,242	1,910	2,037	1,956
42 Other	352	303	255	318	214	377	241	224	242	314
43 Other Federal Reserve liabilities and capital	9,866	9,928	9,012	9,203	9,209	9,206	9,827	9,652	9,365	9,409
44 Reserve balances with Federal Reserve Banks[3]	33,881	31,628	34,490	36,059	30,430	30,183	34,926	39,027	32,198	35,099

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* any securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Beginning with the May 1990 *Bulletin*, this table has been revised to correspond with the H.4.1 statistical release.
3. Excludes required clearing balances and adjustments to compensate for float.

NOTE. For amounts of currency and coin held as reserves, see table 1.12. Components may not add to totals because of rounding.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Monthly averages[9]									
	1987	1988	1989	1989	1990					
	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Reserve balances with Reserve Banks[2]	37,691	37,837	35,436	35,436	34,090	30,929	33,407	35,409	32,771r	33,878
2 Total vault cash[3]	26,675	28,204	29,812	29,812	31,301	32,489	29,581	29,281	29,812r	29,632
3 Applied vault cash[4]	24,449	25,909	27,374	27,374	28,841	29,693	27,251	27,103	27,461	27,318
4 Surplus vault cash[5]	2,226	2,295	2,439	2,439	2,461	2,795	2,330	2,178	2,351r	2,314
5 Total reserves[6]	62,141	63,746	62,810	62,810	62,931	60,623	60,658	62,512	60,232r	61,196
6 Required reserves	61,094	62,699	61,888	61,888	61,914	59,634	59,797	61,615	59,269	60,422
7 Excess reserve balances at Reserve Banks[7]	1,046	1,047	922	922	1,016	989	861	897	962	774
8 Total borrowings at Reserve Banks	777	1,716	265	265	440	1,448	2,124	1,628	1,335	881
9 Seasonal borrowings at Reserve Banks	93	130	84	84	47	51	78	122	244	311
10 Extended credit at Reserve Banks[8]	483	1,244	20	20	26	535	1,950	1,403	875	346
	Biweekly averages of daily figures for weeks ending									
	1990									
	Mar. 7	Mar. 21	Apr. 4	Apr. 18	May 2	May 16	May 30	June 13r	June 27	July 11
11 Reserve balances with Reserve Banks[2]	32,724	33,730	33,433	36,421	34,887	33,855	31,269	34,385	33,390	33,955
12 Total vault cash[3]	30,220	29,259	29,585	28,931	29,589r	28,863r	30,852r	28,986	30,097	30,264
13 Applied vault cash[4]	27,706	27,004	27,278	26,920	27,259	26,730	28,268	26,803	27,676	27,885
14 Surplus vault cash[5]	2,514	2,255	2,307	2,011	2,331r	2,133r	2,584r	2,184	2,421	2,380
15 Total reserves[6]	60,430	60,734	60,711	63,341	62,145	60,584	59,537	61,188	61,066	61,839
16 Required reserves	59,633	59,997	59,633	62,675	61,040	59,657	58,526	60,709	60,046	60,938
17 Excess reserve balances at Reserve Banks[7]	797	737	1,078	665	1,105	927	1,011	479	1,020	901
18 Total borrowings at Reserve Banks	1,967	2,179	2,157	1,882	1,155	976	1,723	1,291	566	581
19 Seasonal borrowings at Reserve Banks	60	75	96	100	158	221	278	282	329	359
20 Extended credit at Reserve Banks[8]	1,841	1,995	1,965	1,676	899	673	1,098	559	183	182

1. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance sheet "as-of" adjustments.
3. Total "lagged" vault cash held by those depository institutions currently subject to reserve requirements. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.
4. Equal to all vault cash held during the lagged computation period by "bound" institutions (institutions whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (institutions whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
9. Data are prorated monthly averages of biweekly averages.

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

Averages of daily figures, in millions of dollars

Maturity and source	1990 week ending Monday[2]								
	May 14	May 21	May 28	June 4	June 11	June 18	June 25	July 2	July 9
Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds									
From commercial banks in the United States									
1 For one day or under continuing contract	79,570	79,518	77,536	85,413	88,698	89,848	82,754	82,140	90,826
2 For all other maturities	19,456	19,360	19,784	18,706	19,734	21,135	20,214	19,294	19,261
From other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies									
3 For one day or under continuing contract	37,113	37,650	38,536	37,418	40,495	40,424	39,759	37,304	41,114
4 For all other maturities	19,029	18,536	18,494	18,065	17,758	17,495	17,562	17,631	18,030
Repurchase agreements on U.S. government and federal agency securities in immediately available funds									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	15,722	16,796	13,950	13,898	13,874	13,354	13,068	11,064	11,700
6 For all other maturities	19,812	19,758	19,978	20,438	20,695	20,503	20,437	19,408	19,155
All other customers									
7 For one day or under continuing contract	31,489	32,431	32,122	33,987	32,321	32,506	33,987	32,210	33,925
8 For all other maturities	12,668	12,583	13,421	13,263	14,130	13,964	14,211	13,902	13,691
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	45,068	45,328	44,999	49,490	44,708	61,783	49,258	51,135	47,908
10 To all other specified customers[3]	13,537	13,661	12,317	15,168	13,419	14,314	14,251	13,132	12,916

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.
These data also appear in the Board's H.5 (507) release. For address, see inside front cover.
2. Beginning with the August Bulletin data appearing are the most current available. To obtain data from May 1, 1989, through April 16, 1990, contact the Division of Applications Development and Statistical Services, Financial Statement Reports Section, (202) 452-3349.
3. Brokers and nonbank dealers in securities; other depository institutions; foreign banks and official institutions; and United States government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit and Seasonal credit[1]			Extended credit[2]						
				First 30 days of borrowing			After 30 days of borrowing[3]			
	On 7/11/90	Effective date	Previous rate	On 7/11/90	Effective date	Previous rate	On 7/11/90	Effective date	Previous rate	Effective date
Boston	7	2/24/89	6½	7	2/24/89	6½	8.80	7/11/90	8.75	6/27/90
New York		2/24/89			2/24/89			7/11/90		6/27/90
Philadelphia		2/24/89			2/24/89			7/11/90		6/27/90
Cleveland		2/24/89			2/24/89			7/11/90		6/27/90
Richmond		2/24/89			2/24/89			7/11/90		6/27/90
Atlanta		2/24/89			2/24/89			7/11/90		6/27/90
Chicago		2/24/89			2/24/89			7/11/90		6/27/90
St. Louis		2/24/89			2/24/89			7/11/90		6/27/90
Minneapolis		2/24/89			2/24/89			7/11/90		6/27/90
Kansas City		2/24/89			2/24/89			7/11/90		6/27/90
Dallas		2/27/89			2/27/89			7/11/90		6/27/90
San Francisco	7	2/24/89	6½	7	2/24/89	6½	8.80	7/11/90	8.75	6/27/90

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

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979—July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1980—July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1984—Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985—May 20	7½–8	7½
24	7½	7½
1986—Mar. 7	7–7½	7
10	7	7
Apr. 21	6½–7	6½
July 11	6	6
Aug. 21	5½–6	5½
22	5½	5½
1987—Sept. 4	5½–6	6
11	6	6
1988—Aug. 9	6–6½	6½
11	6½	6½
1989—Feb. 24	6½–7	7
27	7	7
In effect July 11, 1990	7	7

1. Adjustment credit is available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. After May 19, 1986, the highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

Seasonal credit is available to help smaller depository institutions meet regular, seasonal needs for funds that cannot be met through special industry lenders and that arise from a combination of expected patterns of movement in their deposits and loans. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was reestablished for 1986 and 1987 but was not renewed for 1988.

2. Extended credit is available to depository institutions, when similar assistance is not reasonably available from other sources, when exceptional circumstances or practices involve only a particular institution or when an institution is experiencing difficulties adjusting to changing market conditions over a longer period of time.

3. For extended-credit loans outstanding more than 30 days, a flexible rate somewhat above rates on market sources of funds ordinarily will be charged, but in no case will the rate charged be less than the basic discount rate plus 50 basis points. The flexible rate is reestablished on the first business day of each two-week reserve maintenance period. At the discretion of the Federal Reserve Bank, the time period for which the basic discount rate is applied may be shortened.

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980 through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981 the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval[2]	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
Net transaction accounts[3,4]		
\$0 million–\$40.4 million	3	12/19/89
More than \$40.4 million	12	12/19/89
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. Reserve requirements in effect on Dec. 31, 1989. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that \$2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 20, 1988, the exemption was raised from \$3.2 million to \$3.4 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

3. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers in excess of three per month for the purpose of making payments to third persons or others. However, MMDAs and similar accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three can be checks, are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements).

4. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 19, 1989 for institutions reporting quarterly and Dec. 26, 1989 for institutions reporting weekly, the amount was decreased from \$41.5 million to \$40.4 million.

5. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which a beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

	Type of transaction	1987	1988	1989	1989		1990				
					Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
	U.S. TREASURY SECURITIES										
	Outright transactions (*excluding matched transactions*)										
	Treasury bills										
1	Gross purchases	18,983	8,223	14,284	8,794	1,883	423	108	543	5,796	3,365
2	Gross sales	6,051	587	12,818	0	0	1,489	3,384	0	0	0
3	Exchange	0	0	0	0	0	0	0	0	0	0
4	Redemptions	9,029	2,200	12,730	3,530	0	1,000	400	0	0	0
	Others within 1 year										
5	Gross purchases	3,659	2,176	327	155	0	0	0	100	0	0
6	Gross sales	300	0	0	0	0	0	0	0	0	0
7	Maturity shift	21,504	23,854	28,848	3,915	1,268	1,201	2,845	1,876	993	4,387
8	Exchange	−20,388	−24,588	−25,783	−5,502	0	−2,489	−5,418	0	−4,304	−2,771
9	Redemptions	70	0	500	0	0	0	0	0	0	0
	1 to 5 years										
10	Gross purchases	10,231	5,485	1,436	0	0	0	0	100	100	0
11	Gross sales	452	800	490	0	0	0	0	0	0	0
12	Maturity shift	−17,975	−17,720	−25,534	−2,869	−1,268	−1,163	−1,713	−1,876	−739	−3,607
13	Exchange	18,938	22,515	23,250	4,902	0	2,373	4,743	0	4,081	2,521
	5 to 10 years										
14	Gross purchases	2,441	1,579	287	0	0	0	0	0	0	0
15	Gross sales	0	175	29	0	0	0	0	0	0	0
16	Maturity shift	−3,529	−5,946	−2,231	−1,046	0	−38	−451	0	−254	−530
17	Exchange	950	1,797	1,934	400	0	116	450	0	223	0
	Over 10 years										
18	Gross purchases	1,858	1,398	284	0	0	0	0	0	0	0
19	Gross sales	0	0	0	0	0	0	0	0	0	0
20	Maturity shift	0	−188	−1,086	0	0	0	−681	0	0	−250
21	Exchange	500	275	600	200	0	0	226	0	0	250
	All maturities										
22	Gross purchases	37,170	18,863	16,617	8,949	1,883	423	108	743	5,896	3,365
23	Gross sales	6,803	1,562	13,337	0	0	1,489	3,384	0	0	0
24	Redemptions	9,099	2,200	13,230	3,530	0	1,000	400	0	0	0
	Matched transactions										
25	Gross sales	950,923	1,168,484	1,323,480	105,696	103,077	127,729	116,220	99,104	97,970	117,237
26	Gross purchases	950,935	1,168,142	1,326,542	105,243	104,827	121,411	120,637	97,128	98,643	116,859
	Repurchase agreements[2]										
27	Gross purchases	314,621	152,613	129,518	15,350	22,737	16,185	0	8,050	6,409	3,959
28	Gross sales	324,666	151,497	132,688	15,350	21,145	17,777	0	6,627	7,832	3,959
29	Net change in U.S. government securities	11,234	15,872	−10,055	4,966	5,225	−9,976	741	190	5,146	2,987
	FEDERAL AGENCY OBLIGATIONS										
	Outright transactions										
30	Gross purchases	0	0	0	0	0	0	0	0	0	0
31	Gross sales	0	0	0	0	0	0	0	0	0	0
32	Redemptions	276	587	442	0	0	0	0	0	78	0
	Repurchase agreements[2]										
33	Gross purchases	80,353	57,259	38,835	1,247	2,992	1,741	0	1,966	2,595	2,314
34	Gross sales	81,350	56,471	40,411	1,247	2,467	2,266	0	1,457	3,104	2,314
35	Net change in federal agency obligations	−1,274	198	−2,018	0	525	−525	0	509	−587	0
36	**Total net change in System Open Market Account**	**9,961**	**16,070**	**−12,073**	**4,966**	**5,750**	**−10,501**	**741**	**699**	**4,559**	**2,987**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

2. In July 1984 the Open Market Trading Desk discontinued accepting bankers acceptances in repurchase agreements.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday 1990					End of month 1990		
	May 30	June 6	June 13	June 20	June 27	Apr.	May	June
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,065	11,065	11,065	11,065	11,065	11,060	11,065	11,065
2 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
3 Coin	473	459	469	474	474	532	468	470
Loans								
4 To depository institutions	1,375	596	5,648	550	608	2,163	1,100	586
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	6,446	6,446	6,446	6,446	6,446	6,446	6,446	6,446
8 Held under repurchase agreements	0	702	1,053	0	0	0	0	0
U.S. Treasury securities								
Bought outright								
9 Bills	101,968	104,784	105,312	106,556	108,433	101,973	104,960	108,838
10 Notes	91,732	91,782	91,782	91,782	91,782	91,540	91,732	91,782
11 Bonds	30,763	30,763	30,763	30,763	30,763	30,955	30,763	30,763
12 Total bought outright[2]	224,463	227,329	227,857	229,101	230,978	224,468	227,455	231,383
13 Held under repurchase agreements	0	2,308	1,032	0	0	0	0	0
14 Total U.S. Treasury securities	224,463	229,637	228,889	229,101	230,978	224,468	227,455	231,383
15 Total loans and securities	**232,284**	**237,381**	**242,036**	**236,098**	**238,032**	**231,926**	**235,001**	**238,415**
16 Items in process of collection	8,450	6,421	5,523	5,937	5,923	4,499	6,661	7,586
17 Bank premises	795	795	825	825	825	795	795	827
Other assets								
18 Denominated in foreign currencies[3]	34,098	34,507	34,608	34,698	34,747	33,982	34,574	34,225
19 All other[4]	4,573	5,052	5,014	4,879	5,167	5,958	4,563	5,248
20 Total assets	**300,256**	**304,196**	**308,059**	**302,494**	**304,752**	**297,270**	**301,646**	**306,354**
LIABILITIES								
21 Federal Reserve notes	245,910	246,598	247,182	246,770	247,101	241,068	246,398	247,983
Deposits								
22 To depository institutions	32,694	36,574	40,200	34,359	36,812	36,076	34,094	36,336
23 U.S. Treasury—General account	4,420	4,780	5,291	5,944	5,915	5,205	4,426	5,470
24 Foreign—Official accounts	207	223	224	223	189	402	309	368
25 Other	377	241	224	242	314	352	303	255
26 Total deposits	**37,699**	**41,818**	**45,939**	**40,768**	**43,230**	**42,036**	**39,132**	**42,429**
27 Deferred credit items	7,441	5,953	5,286	5,590	5,012	4,301	6,188	6,930
28 Other liabilities and accrued dividends[5]	4,131	4,318	4,542	4,277	4,311	4,199	4,365	3,810
29 Total liabilities	**295,181**	**298,688**	**302,948**	**297,406**	**299,655**	**291,603**	**296,083**	**301,152**
CAPITAL ACCOUNTS								
30 Capital paid in	2,339	2,336	2,345	2,344	2,344	2,327	2,344	2,344
31 Surplus	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243
32 Other capital accounts	493	929	522	500	511	1,098	981	616
33 Total liabilities and capital accounts	**300,256**	**304,196**	**308,059**	**302,494**	**304,752**	**297,270**	**301,646**	**306,354**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	227,961	227,961	222,823	230,141	227,365	224,256	225,879	228,260
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	285,846	286,166	286,841	287,921	288,282	283,191	285,819	288,487
36 LESS: Held by bank	39,936	39,568	39,659	41,150	41,181	42,123	39,421	40,504
37 Federal Reserve notes, net	245,910	246,598	247,182	246,770	247,101	241,068	246,398	247,983
Collateral held against notes net:								
38 Gold certificate account	11,065	11,065	11,065	11,065	11,065	11,060	11,065	11,065
39 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	226,327	227,015	227,599	227,187	227,518	221,490	227,815	228,400
42 Total collateral	**245,910**	**246,598**	**247,182**	**246,770**	**247,101**	**241,068**	**247,398**	**247,983**

1. Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover. Components may not add to totals because of rounding.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within 90 days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1990					1990		
	May 30	June 6	June 13	June 20	June 27	Apr. 30	May 31	June 29
1 Loans—Total	1,375	596	5,648	550	608	1,012	1,100	586
2 Within 15 days	1,339	407	5,461	516	559	951	1,014	415
3 16 days to 90 days	37	188	187	34	49	62	86	171
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. Treasury securities—Total	224,463	229,637	228,889	229,101	230,978	230,468	227,455	231,383
10 Within 15 days[1]	10,737	11,528	7,467	11,332	12,631	6,566	5,371	9,655
11 16 days to 90 days	49,193	54,658	55,479	51,726	52,287	57,700	50,466	57,872
12 91 days to 1 year	68,820	67,951	70,443	70,543	70,560	69,228	76,167	68,356
13 Over 1 year to 5 years	57,695	57,482	57,482	57,482	57,482	58,146	57,432	57,482
14 Over 5 years to 10 years	11,617	11,617	11,617	11,617	11,617	12,576	11,617	11,617
15 Over 10 years	26,402	26,402	26,402	26,402	26,402	26,252	26,402	26,402
16 Federal agency obligations—Total	6,446	7,148	7,499	6,446	6,446	6,446	6,446	6,446
17 Within 15 days[1]	266	702	1,063	195	225	160	266	223
18 16 days to 90 days	564	844	864	679	672	678	564	672
19 91 days to 1 year	1,416	1,402	1,418	1,418	1,406	1,441	1,416	1,406
20 Over 1 year to 5 years	2,895	2,895	2,849	2,849	2,846	2,892	2,895	2,846
21 Over 5 years to 10 years	1,117	1,117	1,117	1,117	1,109	1,087	1,117	1,109
22 Over 10 years	188	188	188	188	188	188	188	188

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

NOTE: Components may not add to totals because of rounding.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May	1990 June
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 **Total reserves[3]**	**58.02**	**58.59**	**60.59**	**60.03**	**59.65**	**60.03**	**59.90**	**60.22**	**60.30**	**60.28**	**59.78**	**59.73**
2 Nonborrowed reserves[4]	57.20	57.82	58.88	59.77	59.30	59.77	59.46	58.77	58.17	58.65	58.45	58.85
3 Nonborrowed reserves plus extended credit[5]	57.50	58.30	60.12	59.79	59.32	59.79	59.48	59.30	60.12	60.05	59.32	59.20
4 Required reserves	56.65	57.55	59.55	59.11	58.70	59.11	58.88	59.23	59.44	59.38	58.82	58.96
5 Monetary base[6]	241.43	258.06	275.24	284.95	283.22	284.95	287.51	289.71	291.82	293.54	294.40	296.27
	Not seasonally adjusted											
6 **Total reserves[7]**	**59.46**	**60.07**	**62.22**	**61.67**	**59.87**	**61.67**	**61.58**	**59.20**	**59.23**	**61.05**	**58.74**	**59.61**
7 Nonborrowed reserves	58.64	59.30	60.50	61.40	59.52	61.40	61.14	57.75	57.11	59.42	57.41	58.73
8 Nonborrowed reserves plus extended credit[5]	58.94	59.78	61.75	61.42	59.54	61.42	61.17	58.29	59.06	60.82	58.28	59.07[r]
9 Required reserves[8]	58.09	59.03	61.17	60.75	58.92	60.75	60.56	58.21	58.37	60.15	57.78	58.84
10 Monetary base[9]	245.17	262.00	279.54	289.45	284.11	289.45	288.67	286.50	288.86	293.35	293.52	297.37
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 **Total reserves[11]**	**59.56**	**62.14**	**63.75**	**62.81**	**60.99**	**62.81**	**62.93**	**60.62**	**60.66**	**62.51**	**60.23**	**61.20**
12 Nonborrowed reserves	58.73	61.36	62.03	62.54	60.64	62.54	62.49	59.17	58.53	60.88	58.90	60.32
13 Nonborrowed reserves plus extended credit[5]	59.04	61.85	63.27	62.56	60.66	62.56	62.52	59.71	60.49	62.29	59.77	60.66
14 Required reserves	58.19	61.09	62.70	61.89	60.04	61.89	61.91	59.63	59.80	61.62	59.27	60.42
15 Monetary base[12]	247.62	266.06	283.00	292.55	287.19	292.55	292.13	290.02	292.38	296.87	297.03	300.98
16 Excess reserves[13]	1.37	1.05	1.05	.92	.95	.92	1.02	.99	.86	.90	.96	.77[r]
17 Borrowings from the Federal Reserve	.83	.78	1.72	.27	.35	.27	.44	1.45	2.12	1.63	1.33	.88

1. Latest monthly and biweekly figures are available from the Board's H.3(502) statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Monetary and Reserves Projections Section. Division of Monetary Affairs. Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2. Figures reflect adjustments for discontinuities or "breaks" associated with regulatory changes to reserve requirements.

3. Seasonally adjusted, break adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

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

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities because of regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what *required reserves would have been in past periods had current reserve requirements been in effect*. Break-adjusted required reserves includes required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals break-adjusted total reserves (line 6), plus the (unadjusted) currency component of the money stock, plus (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of total reserves (line 11), plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus the currency component of the money stock, plus (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. After the introduction of CRR, currency and vault cash figures are measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item[2]	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1990 Mar.	1990 Apr.	1990 May	1990 June
	Seasonally adjusted							
1 M1	724.7	750.4	787.5	794.8	804.8	807.4	805.5	809.6
2 M2	2,814.2	2,913.2	3,072.4	3,221.0	3,266.2	3,271.8	3,264.6	3,269.9
3 M3	3,494.5	3,678.7	3,918.4	4,042.0	4,061.5	4,065.1	4,055.7	4,055.0
4 L	4,135.5	4,338.9	4,676.0	4,879.2	4,908.3	4,917.9	4,889.3	n.a.
5 Debt	7,588.3	8,307.5	9,062.0	9,777.6	9,953.0	10,005.3	10,057.4	n.a.
M1 components								
6 Currency[3]	180.6	196.7	211.8	221.9	228.4	230.1	231.6	233.4
7 Travelers checks[4]	6.5	7.0	7.5	7.4	7.6	7.6	7.7	7.7
8 Demand deposits[5]	302.1	287.0	287.0	279.7	279.3	277.8	274.6	274.5
9 Other checkable deposits[6]	235.5	259.7	281.3	285.7	289.5	291.8	291.6	294.0
Nontransactions components								
10 In M2[7]	2,089.6	2,162.8	2,284.9	2,426.2	2,461.4	2,464.5	2,459.1	2,460.3
11 In M3 only[8]	680.3	765.5	845.9	821.0	795.3	793.2	791.2	785.1
Time and Savings accounts								
Commercial banks								
12 Savings deposits	155.8	178.3	192.0	188.5	193.4	193.8	193.5	195.0
13 Money market deposit accounts	377.7	356.4	350.2	351.5	359.1	362.3	365.4	368.3
14 Small time deposits[9]	366.3	388.1	447.5	528.6	537.2	541.4	550.8	559.4
15 Large time deposits[10, 11]	289.8	326.9	368.2	401.5	396.3	394.6	396.4	396.9
Thrift institutions								
16 Savings deposits	214.3	236.6	235.9	220.5	221.2	222.0	221.6	220.9
17 Money market deposit accounts	193.3	167.4	150.1	132.2	135.8	136.6	134.7	133.1
18 Small time deposits[9]	489.9	529.7	583.5	613.7	606.6	602.7	594.4	584.0
19 Large time deposits[10]	150.0	161.9	172.9	156.8	147.3	143.0	138.2	134.8
Money market mutual funds								
20 General purpose and broker-dealer	208.7	222.0	240.9	312.4	325.0	324.8	319.4	321.0
21 Institution-only	83.8	89.0	87.1	102.3	105.4	106.8	107.3	107.3
Debt components								
22 Federal debt	1,805.8	1,957.4	2,113.5	2,265.7	2,325.9	2,340.9	2,353.7	n.a.
23 Nonfederal debt	5,782.5	6,350.1	6,948.5	7,511.9	7,627.1	7,664.4	7,703.7	n.a.
	Not seasonally adjusted							
24 M1	740.5	766.4	804.5	812.1	795.7	817.3	796.6	810.2
25 M2	2,826.5	2,925.6	3,085.2	3,233.9	3,261.0	3,283.1	3,249.6	3,267.1
26 M3	3,508.8	3,692.7	3,932.5	4,056.0	4,060.2	4,071.8	4,040.1	4,048.7
27 L	4,151.5	4,355.2	4,692.7	4,896.9	4,906.2	4,921.3	4,876.9	n.a.
28 Debt	7,572.0	8,289.0	9,047.3	9,762.2	9,914.3	9,966.3	10,015.6	n.a.
M1 components								
29 Currency[3]	183.0	199.3	214.8	225.3	227.0	229.5	231.7	234.7
30 Travelers checks[4]	6.0	6.5	6.9	6.9	7.3	7.3	7.5	8.1
31 Demand deposits[5]	314.0	298.6	298.9	291.6	271.6	279.8	268.6	274.9
32 Other checkable deposits[6]	237.5	262.0	283.8	288.4	289.7	300.8	288.8	292.4
Nontransactions components								
33 In M2[7]	2,086.0	2,159.2	2,280.8	2,421.8	2,465.3	2,465.7	2,453.1	2,456.9
34 In M3 only[8]	682.3	767.0	847.3	822.2	799.2	788.7	790.5	781.6
Time and Savings accounts								
Commercial banks								
35 Savings deposits	154.4	176.9	190.6	187.2	193.2	194.3	194.1	196.2
36 Money market deposit accounts	379.8	359.0	353.2	355.0	360.8	362.5	361.1	365.9
37 Small time deposits[9]	366.1	387.3	446.0	526.4	538.3	541.7	549.8	560.5
38 Large time deposits[10, 11]	289.2	325.8	366.9	399.8	399.2	394.6	396.8	396.4
Thrift institutions								
39 Savings deposits	212.7	234.9	234.2	219.0	220.9	222.4	221.9	222.4
40 Money market deposit accounts	192.9	167.5	150.6	132.8	136.1	135.9	133.8	132.5
41 Small time deposits[9]	489.8	529.1	582.4	612.3	605.9	602.4	592.7	583.1
42 Large time deposits[10]	150.7	162.9	174.2	158.3	146.4	141.6	137.4	133.5
Money market mutual funds								
43 General purpose and broker-dealer	208.0	221.5	240.5	312.2	329.5	328.4	318.7	318.9
44 Institution-only	84.4	89.6	87.6	102.9	106.8	105.8	106.7	106.1
Repurchase agreements and Eurodollars								
45 Overnight	82.3	83.2	83.3	76.8	80.7	78.1	81.1	77.3
46 Term	n.a.	197.1	227.7	176.3	159.7	158.7	161.0	159.1
Debt components								
47 Federal debt	1,803.9	1,955.6	2,111.8	2,264.1	2,317.3	2,329.1	2,337.8	n.a.
48 Nonfederal debt	5,768.1	6,333.4	6,935.5	7,498.1	7,597.0	7,637.2	7,677.9	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Monetary and Reserves Projection section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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

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

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

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

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

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. Data are derived from the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages.

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions.

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

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

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

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

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

1.22 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are shown in billions of dollars, turnover as ratio of debits to deposits. Monthly data are at annual rates.

Bank group, or type of customer	1987	1988	1989	1989		1990			
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Seasonally adjusted								
DEBITS TO									
Demand deposits[3]									
1 All insured banks	217,116.2	226,888.4	272,793.1	296,768.7	280,074.4	286,425.2	299,450.2	285,111.5	274,403.6
2 Major New York City banks	104,496.3	107,547.3	121,894.2[r]	130,440.2	131,681.3	123,744.6	132,031.4	132,470.3	124,988.2
3 Other banks	112,619.8	119,341.2	150,898.9	166,328.5	148,393.1	162,680.5	167,418.8	152,641.2	149,415.4
4 ATS-NOW accounts[4]	2,402.7	2,757.7	3,501.8	3,855.2	3,727.5	3,910.4	4,115.7	4,075.7	3,993.3
5 Savings deposits[5]	526.5	579.2[r]	636.6	610.3	615.8	609.2	587.3	617.6	583.1
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	612.1	641.2	781.0	855.7	797.7	820.0	851.4	813.3	780.8
7 Major New York City banks	2,670.6	2,903.5	3,401.6	3,499.8	3,578.1	3,422.4	3,677.3	3,760.2	3,551.5
8 Other banks	357.0	376.8	481.5	537.3	472.1	519.5	530.1	484.0	472.5
9 ATS-NOW accounts[4]	13.8	14.7	18.3	19.7	18.9	19.8	20.6	20.2	19.7
10 Savings deposits[5]	3.1	3.1	3.5	3.3	3.3	3.3	3.1	3.2	3.0
	Not seasonally adjusted								
DEBITS TO									
Demand deposits[3]									
11 All insured banks	217,125.1	227,010.7	271,957.3	285,372.8	283,603.3	303,668.0	270,852.7	291,868.6	276,077.5
12 Major New York City banks	104,518.8	107,565.0	122,241.8	129,905.5	129,690.0	131,796.0	119,305.2	137,029.5	125,750.6
13 Other banks	112,606.2	119,445.7	149,715.5	155,467.3	153,913.3	171,872.0	151,547.5	154,839.2	150,326.9
14 ATS-NOW accounts[4]	2,404.8	2,754.7	3,496.5	3,611.5	3,904.0	4,263.7	3,721.3	4,030.4	4,285.8
15 MMDA[6]	1,954.2	2,430.1	2,790.6[r]	2,569.1	2,880.5	3,075.9	2,551.2	2,714.9	2,848.4
16 Savings deposits[5]	526.8	578.0	635.8	555.9	630.1	629.3	518.7	594.2	646.8
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	612.3	641.7	779.0	815.6	769.3	847.9	791.8	850.4	784.4
18 Major New York City banks	2,674.9	2,901.4	3,415.4	3,548.5	3,250.4	3,433.3	3,314.9	3,836.2	3,564.6
19 Other banks	356.9	377.1	477.8	496.3	468.1	537.5	495.2	503.6	474.7
20 ATS-NOW accounts[4]	13.8	14.7	18.3	18.5	19.5	21.1	18.7	20.0	20.5
21 MMDA[6]	5.3	6.9	8.3	7.4	8.2	8.7	7.2	7.6	7.9
22 Savings deposits[5]	3.1	3.1	3.5	3.0	3.4	3.4	2.8	3.1	3.4

1. Historical tables containing revised data for earlier periods may be obtained from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For address, see inside front cover.

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data are available beginning December 1978.

5. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1989						1990					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
	Seasonally adjusted											
1 **Total loans and securities[2]**	**2,512.4**	**2,527.4**	**2,538.9**	**2,563.3**	**2,579.0**	**2,582.6**	**2,585.8**	**2,603.8**	**2,623.8**	**2,635.0**	**2,644.1**	**2,662.0**
2 U.S. government securities	374.0	375.5	378.1	389.9	394.8	394.4	402.4	412.2	418.9	422.7	427.9	438.8
3 Other securities	186.3	183.8	183.1	180.9	179.3	180.3	180.2	180.1	180.2	180.8	179.2	178.5
4 Total loans and leases[2]	1,952.1	1,968.2	1,977.7	1,992.5	2,004.9	2,007.9	2,003.2	2,011.6	2,024.7	2,031.6	2,037.0	2,044.7
5 Commercial and industrial	631.8	636.1	637.7	641.9	645.9	642.9	639.0	637.9	642.8	648.2	647.9	651.2
6 Bankers acceptances held[3]	7.9	8.1	8.4	8.8	8.1	7.6	7.4	8.0	8.3	8.4	8.4	8.7
7 Other commercial and industrial	623.9	628.0	629.3	633.2	637.8	635.3	631.6	629.8	634.5	639.8	639.5	642.5
8 U.S. addressees[4]	619.8	624.3	625.4	628.9	632.7	629.8	623.9	623.9	628.2	633.7	634.8	637.4
9 Non-U.S. addressees[4]	4.0	3.7	3.9	4.2	5.1	5.5	7.7	5.9	6.3	6.1	4.7	5.1
10 Real estate	720.1	727.7	735.8	742.6	749.2	756.4	759.6	768.1	774.4	779.4	787.5	793.7
11 Individual	365.8	367.5	370.3	372.6	374.6	375.9	377.9	378.9	379.2	377.8	379.2	377.9
12 Security	40.1	39.0	39.7	41.2	41.5	39.6	40.1[r]	41.1[r]	38.3[r]	37.0[r]	35.7	36.1
13 Nonbank financial institutions	31.3	31.5	31.8	33.2[r]	33.7[r]	32.7	32.3	33.0	34.2[r]	34.3[r]	33.8	33.6
14 Agricultural	30.0	29.9	29.6	29.6	29.9	30.3	30.9	31.0	31.2[r]	31.4[r]	31.2	32.0
15 State and political subdivisions	42.5	42.2	41.7	41.3	40.8	40.1	38.6	38.9	38.4	38.2	37.9	37.4
16 Foreign banks	7.9	8.1	7.5	8.5	8.0	8.6	7.9	7.8	8.4	9.0	8.8	7.5
17 Foreign official institutions	4.3	4.1	4.2	3.9	3.6	3.6	3.2	3.1	3.0	3.2	3.2	3.1
18 Lease financing receivables	30.7	31.0	31.3	31.7	31.6	31.4	31.6	31.6	31.8	31.6	31.8	31.5
19 All other loans	47.7	51.0	48.0	46.0[r]	46.0[r]	46.4[r]	42.1[r]	40.2[r]	42.9[r]	41.6[r]	40.0	40.7
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**2,507.0**	**2,521.1**	**2,537.5**	**2,563.6**	**2,581.0**	**2,590.6**	**2,591.5**	**2,606.2**	**2,618.1**	**2,635.3**	**2,643.7**	**2,662.0**
21 U.S. government securities	372.1	376.1	377.2	387.3	394.9	395.6	404.1	416.7	420.4	422.5	427.0	435.8
22 Other securities	184.7	183.8	183.3	181.8	180.5	181.2	180.7	179.9	179.8	180.2	178.6	177.7
23 Total loans and leases[2]	1,950.2	1,961.2	1,977.0	1,994.5	2,005.6	2,013.8	2,006.7	2,009.5	2,017.9	2,032.6	2,038.2	2,048.5
24 Commercial and industrial	631.9	633.4	633.7	639.3	643.1	642.8	637.5	638.5	644.5	652.5	652.1	653.6
25 Bankers acceptances held[3]	7.6	8.1	8.4	8.9	8.2	7.7	7.5	8.1	8.2	8.2	8.3	8.6
26 Other commercial and industrial	624.3	625.3	625.3	630.4	634.9	635.1	630.0	630.4	636.3	644.3	643.8	645.0
27 U.S. addressees[4]	618.6	619.8	619.8	624.7	629.4	629.8	625.0	625.6	631.5	639.5	639.0	640.4
28 Non-U.S. addressees[4]	5.7	5.5	5.5	5.6	5.5	5.3	5.0	4.9	4.8	4.8	4.8	4.6
29 Real estate	720.7	729.2	737.8	743.9	750.9	757.1	759.7	765.5	771.7	777.5	786.4	793.6
30 Individual	364.3	367.7	372.1	373.7	376.0	380.3	381.5	378.1	376.0	375.0	376.7	376.1
31 Security	40.2	38.4	38.8	40.1	40.3	38.6	38.3[r]	40.5[r]	39.2[r]	39.5[r]	36.3	38.3
32 Nonbank financial institutions	31.4	31.3	31.4	32.8[r]	34.0[r]	33.8	33.0	32.6	33.4[r]	34.2[r]	33.8	34.0
33 Agricultural	30.7	30.7	30.5	30.4	30.2	30.2	30.3	30.1	30.1	30.4	30.9	32.4
34 State and political subdivisions	42.1	41.9	41.6	41.2	40.6	39.7	39.5	39.3	38.6	38.2	37.8	37.2
35 Foreign banks	8.0	8.1	7.8	8.8	8.1	8.4	8.0	7.7	7.9	8.5	8.8	7.7
36 Foreign official institutions	4.3	4.1	4.2	3.9	3.6	3.6	3.2	3.1	3.0	3.2	3.2	3.1
37 Lease financing receivables	30.4	30.9	31.2	31.6	31.6	31.5	32.0	31.8	31.7	31.7	31.8	31.5
38 All other loans	46.2	45.6	47.8	48.7[r]	47.1[r]	47.7[r]	43.6[r]	42.3[r]	41.8[r]	42.1[r]	40.6	41.1

1. Data have been revised because of benchmarking and seasonal adjustment revisions beginning January 1973. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.
2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1989						1990					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Seasonally adjusted												
1 Total nondeposit funds[2]	238.8	238.6	246.2	253.5	255.1	255.5	256.2	265.4	268.8	266.1	266.2	264.3
2 Net balances due to related foreign offices[3]	11.4	9.7	11.1	10.2	8.6	7.4	10.9	14.6	17.2	16.5	24.3	14.7
3 Borrowings from other than commercial banks in United States[4]	227.4	228.9	235.0	243.3	246.4	248.1	245.3	250.8	251.6	249.5	241.9	249.6
4 Domestically chartered banks	182.8	183.9	189.1	195.3	196.9	198.6	194.7	198.9	195.7	190.9	185.0	194.6
5 Foreign-related banks	44.6	44.9	46.0	48.0	49.6	49.5	50.7	51.9	56.0	58.7	56.9	55.0
Not seasonally adjusted												
6 Total nondeposit funds[2]	234.4	238.1	242.8	248.8	254.0	249.0	252.8	268.6	274.6	268.8	274.7r	269.0
7 Net balances due to related foreign offices[3]	9.2	10.1	11.7	9.6	9.7	9.7	10.5	14.2	16.0	14.3	26.2	15.4
8 Domestically chartered banks	−16.4	−15.5	−14.3	−15.0	−15.5	−19.2	−14.5	−11.1	−11.5	−10.7	−1.5	−6.3
9 Foreign-related banks	25.6	25.6	26.0	24.6	25.2	28.9	25.0	25.3	27.6	24.9	27.6	21.7
10 Borrowings from other than commercial banks in United States[4]	225.2	228.0	231.1	239.1	244.3	239.3	242.3	254.3	258.6	254.6	248.5	253.6
11 Domestically chartered banks	180.2	183.5	186.1	192.3	197.1	192.2	190.7	200.8	201.4	194.9	190.7	196.3
12 Federal funds and security RP borrowings[5]	177.2	180.5	183.1	189.3	194.6	189.7	188.1	197.1	197.0	191.2	187.3	193.1
13 Other[6]	3.1	3.0	3.0	3.0	2.4	2.5	2.7	3.7	4.5	3.7	3.4	3.2
14 Foreign-related banks[6]	45.0	44.5	45.0	46.8	47.2	47.1	51.5	53.5	57.2	59.7	57.8	57.4
MEMO												
Gross large time deposits[7]												
15 Seasonally adjusted	463.4	462.0	460.0	461.4	464.0	464.3	462.7	460.6	457.3	455.1	454.6	452.5
16 Not seasonally adjusted	461.1	462.6	461.5	462.6	464.4	462.7	460.4	460.3	460.1	455.1	455.1	452.0
U.S. Treasury demand balances at commercial banks[8]												
17 Seasonally adjusted	22.4	22.3	22.8	21.5	20.4	21.1	20.2	17.8	19.2	21.2	18.6	20.5
18 Not seasonally adjusted	23.0	15.8	24.9	20.6	14.7	19.6	23.2	22.0	16.7	20.0	25.2	21.0

1. Data have been revised because of benchmarking and seasonal adjustment revisions beginning January 1973. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

These data also appear in the Board's G.10 (411) release. For address, see inside front cover.

2. Includes federal funds, RPs, and other borrowing from nonbanks and net balances due to related foreign offices.

3. Reflects net positions of U.S. chartered banks, Edge Act corporations, and U.S. branches and agencies of foreign banks with related foreign offices plus net positions with own IBFs.

4. Other borrowings are borrowings through any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, loan RPs, and sales of participations in pooled loans.

5. Based on daily average data reported weekly by approximately 120 large banks and quarterly or annual data reported by other banks.

6. Figures are partly daily averages and partly averages of Wednesday data.

7. Time deposits in denominations of $100,000 or more. Estimated averages of daily data.

8. U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series[1]

Billions of dollars

Account	1989					1990					
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,694.2	2,700.5	2,734.8	2,771.2	2,779.0	2,789.0	2,797.6	2,806.9	2,823.6	2,831.1	2,852.8
2 Investment securities	542.8	541.4	544.7	548.3	549.0	561.2	568.0	573.5	578.6	586.9	589.1
3 U.S. government securities	364.7	365.1	370.0	374.4	374.1	387.5	395.3	401.8	408.2	416.6	420.9
4 Other	178.1	176.3	174.7	173.9	174.9	173.8	172.7	171.7	170.5	170.2	168.2
5 Trading account assets	18.7	18.3	26.6	27.6	23.4	31.9	30.4	26.0	23.9	21.3	23.7
6 Total loans	2,132.7	2,140.8	2,163.6	2,195.3	2,206.5	2,195.8	2,199.2	2,207.4	2,221.1	2,222.9	2,240.0
7 Interbank loans	170.4	165.4	171.8	187.6	190.5	189.0	187.3	189.7	187.7	186.0	191.7
8 Loans excluding interbank	1,962.3	1,975.3	1,991.8	2,007.7	2,016.0	2,006.8	2,011.9	2,017.7	2,033.4	2,036.9	2,048.3
9 Commercial and industrial	632.4	632.1	638.9	643.0	644.3	636.4	640.6	643.8	652.2	650.2	653.5
10 Real estate	732.6	739.6	745.0	753.6	758.3	761.3	767.2	774.3	779.5	789.7	795.1
11 Individual	369.6	373.8	374.3	376.8	382.4	381.4	378.0	374.7	376.4	377.0	377.3
12 All other	227.8	229.9	233.6	234.2	231.1	227.6	226.2	224.9	225.3	220.1	222.4
13 Total cash assets	210.6	218.5	212.0	234.2	258.0	222.0	228.5	217.0	216.6	244.7	227.5
14 Reserves with Federal Reserve Banks	28.8	31.8	28.5	38.7	42.8	24.5	29.3	31.8	31.3	27.5	31.8
15 Cash in vault	28.4	27.9	27.8	30.7	31.5	28.0	27.9	27.8	28.6	29.9	28.9
16 Cash items in process of collection	77.5	82.6	77.5	84.2	98.9	89.8	91.5	80.0	80.1	100.7	86.2
17 Demand balances at U.S. depository institutions	29.1	28.5	28.3	28.5	32.1	29.6	31.0	27.5	26.5	32.2	27.7
18 Other cash assets	46.9	47.6	49.9	52.2	52.7	50.1	48.9	49.8	50.1	54.4	52.9
19 Other assets	209.8	214.1	210.3	207.1	212.7	219.3	214.0	209.9	206.9	202.7	212.3
20 Total assets/total liabilities and capital	**3,114.6**	**3,133.1**	**3,157.2**	**3,212.5**	**3,249.6**	**3,230.3**	**3,240.1**	**3,233.7**	**3,247.0**	**3,278.5**	**3,292.5**
21 Deposits	2,169.0	2,177.0	2,196.0	2,223.2	2,267.6	2,243.3	2,257.8	2,246.6	2,252.3	2,288.1	2,273.9
22 Transaction deposits	581.4	586.5	585.8	600.4	641.5	611.3	615.9	593.9	600.5	617.7	598.5
23 Savings deposits	516.9	518.6	525.6	535.6	538.2	540.5	545.8	551.1	548.1	553.7	555.4
24 Time deposits	1,070.7	1,072.0	1,084.6	1,087.2	1,087.8	1,091.5	1,096.1	1,101.6	1,103.8	1,116.6	1,120.0
25 Borrowings	507.6	519.8	529.7	546.0	534.3	556.1	546.0	548.3	562.8	543.1	570.5
26 Other liabilities	227.4	226.0	225.2	236.0	239.8	223.8	227.4	228.1	220.0	235.3	234.3
27 Residual (assets less liabilities)	210.6	210.3	206.3	207.4	208.0	207.1	208.9	210.7	211.9	212.0	213.9
MEMO											
28 U.S. government securities (including trading account)	376.9	377.2	389.6	394.8	390.7	412.6	418.6	419.5	423.4	429.7	434.7
29 Other securities (including trading account)	184.6	182.5	181.7	181.1	181.8	180.6	179.7	180.0	179.1	178.4	178.0
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,467.5	2,477.6	2,511.0	2,531.2	2,540.4	2,552.7	2,559.7	2,562.4	2,573.1	2,576.6	2,594.2
31 Investment securities	519.9	519.1	521.3	522.6	523.3	534.2	540.6	544.6	548.2	554.2	554.2
32 U.S. government securities	354.4	355.4	359.4	362.6	363.3	374.7	382.1	387.4	393.7	399.7	402.2
33 Other	165.5	163.7	161.9	160.0	160.1	159.5	158.5	157.2	154.5	154.6	152.0
34 Trading account assets	18.7	18.3	26.6	27.6	23.4	31.9	30.4	26.0	23.9	21.3	23.7
35 Total loans	1,928.8	1,940.2	1,963.2	1,981.0	1,993.7	1,986.5	1,988.7	1,991.7	2,001.0	2,001.0	2,016.3
36 Interbank loans	132.3	130.7	140.7	148.4	152.8	151.4	149.8	148.6	149.4	145.2	153.3
37 Loans excluding interbank	1,796.5	1,809.5	1,822.5	1,832.5	1,840.9	1,835.1	1,838.9	1,843.1	1,851.6	1,855.9	1,863.0
38 Commercial and industrial	512.4	511.3	515.7	516.9	516.9	513.4	517.7	518.9	523.3	519.6	519.5
39 Real estate	706.2	713.0	718.0	725.0	729.7	731.6	736.5	743.1	746.7	756.7	761.2
40 Individual	369.6	373.8	374.3	376.8	382.4	381.4	378.0	374.7	376.4	377.0	377.3
41 All other	208.3	211.4	214.4	213.9	211.9	208.7	206.8	206.4	205.2	202.6	205.0
42 Total cash assets	188.9	194.9	188.7	206.7	231.7	198.2	203.1	191.1	191.5	214.7	198.9
43 Reserves with Federal Reserve Banks	27.0	29.5	26.7	37.9	41.7	22.7	27.5	29.8	29.8	26.6	30.8
44 Cash in vault	28.4	27.9	27.8	30.6	31.5	28.0	27.8	27.8	28.5	29.9	28.9
45 Cash items in process of collection	76.6	81.3	76.3	82.3	97.5	88.3	90.2	78.5	78.7	99.2	84.2
46 Demand balances at U.S. depository institutions	27.4	26.8	26.4	26.6	30.2	27.7	28.9	25.9	24.8	30.3	26.0
47 Other cash assets	29.5	29.3	31.6	29.3	30.8	31.4	28.6	29.1	29.6	28.7	28.9
48 Other assets	136.2	140.1	131.0	137.1	140.9	143.2	139.6	136.4	135.0	137.5	141.9
49 Total assets/liabilities and capital	**2,792.6**	**2,812.5**	**2,830.8**	**2,875.0**	**2,913.0**	**2,894.0**	**2,902.4**	**2,889.9**	**2,899.5**	**2,928.8**	**2,935.0**
50 Deposits	2,088.9	2,095.8	2,113.8	2,140.8	2,184.3	2,160.7	2,175.6	2,165.0	2,170.0	2,205.9	2,191.5
51 Transaction deposits	572.6	576.6	576.1	590.5	631.3	600.8	605.7	584.2	590.8	607.8	588.2
52 Savings deposits	514.3	515.8	523.0	532.8	535.4	537.7	542.9	548.2	545.1	550.8	552.5
53 Time deposits	1,002.0	1,003.4	1,014.7	1,017.5	1,017.7	1,022.2	1,027.0	1,032.6	1,034.1	1,047.3	1,050.9
54 Borrowings	376.7	392.4	395.1	406.8	400.6	407.3	397.3	395.9	402.8	389.1	408.5
55 Other liabilities	120.0	117.5	119.2	123.6	123.7	122.5	124.2	122.0	118.4	125.4	124.7
56 Residual (assets less liabilities)	207.0	206.7	202.7	203.7	204.4	203.4	205.3	207.1	208.3	208.4	210.3
MEMO											
57 Real estate loans, revolving	46.8	47.6	48.0	48.6	49.3	50.4	50.8	51.2	52.4	53.3	54.3
58 Real estate loans, other	659.4	665.4	670.1	676.4	680.4	681.1	685.7	691.9	694.3	703.4	706.9

1. Back data are available from the Banking and Monetary Statistics section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551. These data also appear in the Board's weekly H.8 (510) release.

Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition reports.

2. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS[1]

Millions of dollars, Wednesday figures

Account	1990								
	May 2r	May 9r	May 16	May 23	May 30	June 6	June 13	June 20	June 27
1 Cash and balances due from depository institutions	116,576	103,220	114,431r	104,176r	123,112r	112,508	114,579	111,026	113,139
2 **Total loans, leases, and securities, net**	**1,300,839**	**1,284,253**	**1,287,516**	**1,284,059**	**1,287,529**	**1,293,426**	**1,297,320**	**1,305,049**	**1,297,626**
3 U.S. Treasury and government agency	172,591	170,790	172,460r	174,469r	173,321r	178,435	177,574	179,074	174,359
4 Trading account	14,973	13,211	15,339r	14,482r	13,060r	17,576	16,534	17,490	13,861
5 Investment account	157,618	157,579	157,121r	159,987r	160,261r	160,859	161,040	161,584	160,498
6 Mortgage-backed securities[2]	76,614	76,736	76,300r	79,674r	79,936r	80,160	80,245	80,993	79,315
All other maturing in									
7 One year or less	24,569	24,453	24,061r	23,467r	23,166r	22,997	22,948	22,873	22,876
8 Over one through five years	34,390	34,380	34,617r	34,729r	34,803r	35,211	35,226	35,091	35,596
9 Over five years	22,045	22,010	22,143r	22,118r	22,356r	22,490	22,622	22,626	22,710
10 Other securities	62,946	62,915	63,101r	62,881r	62,804r	62,622	62,327	62,459	62,792
11 Trading account	847	890	807r	809r	787r	781	864	942	1,474
12 Investment account	62,098	62,025	62,294r	62,071r	62,017r	61,840	61,463	61,517	61,318
13 States and political subdivisions, by maturity	34,362	34,364	34,359	34,241	34,077	33,800	33,467	33,254	33,025
14 One year or less	3,922	3,873	3,914	3,939	3,945	3,919	3,953	3,801	3,709
15 Over one year	30,439	30,492	30,446	30,302	30,132	29,881	29,514	29,453	29,316
16 Other bonds, corporate stocks, and securities	27,736	27,660	27,934r	27,830r	27,939r	28,040	27,996	28,263	28,293
17 Other trading account assets	8,115	8,353	7,545	7,014	7,468	8,435	8,663	8,613	8,346
18 Federal funds sold[3]	80,935	68,869	70,063	67,680	70,306	69,685	75,234	79,204	78,695
19 To commercial banks	57,211	49,367	48,974	48,555	51,496	48,632	53,566	57,645	59,645
20 To nonbank brokers and dealers in securities	17,359	13,974	15,577r	14,066r	13,390	15,186	15,991	16,274	13,925
21 To others	6,365	5,528	5,513r	5,059r	5,419	5,867	5,677	5,285	5,125
22 Other loans and leases, gross	1,017,768	1,014,974	1,016,078	1,013,754	1,015,111	1,015,618	1,014,822	1,016,908	1,014,347
23 Other loans, gross	990,893	988,144	989,231	986,750	988,142	989,007	988,261	990,346	987,745
24 Commercial and industrial	327,041	326,369	325,343	323,504	322,750	323,224	322,283	323,404	322,067
25 Bankers acceptances and commercial paper	1,558	1,584	1,555	1,582	1,604	1,777	1,679	1,672	1,664
26 All other	325,482	324,784	323,788	321,922	321,147	321,447	320,604	321,732	320,403
27 U.S. addressees	323,976	323,407	322,268	320,528	319,774	320,134	319,247	320,404	319,144
28 Non-U.S. addressees	1,506	1,378	1,519	1,393	1,372	1,313	1,357	1,328	1,260
29 Real estate loans	367,336	368,368	369,139	371,036	371,681	372,697	373,664	374,243	373,547
30 Revolving, home equity	29,030	29,100	29,283	29,413	29,594	29,700	29,839	30,005	30,126
31 All other	338,306	339,269	339,856	341,623	342,086	342,997	343,825	344,238	343,421
32 To individuals for personal expenditures	174,375	174,156	174,612	174,889	174,689	173,074	173,240	173,710	174,204
33 To depository and financial institutions	53,624	52,011	52,656r	51,663r	52,593r	51,841	50,890	49,968	49,192
34 Commercial banks in the United States	25,895	24,864	25,572	24,900	24,552	23,859	23,053	22,289	21,399
35 Banks in foreign countries	4,675	3,948	3,972	4,278	5,220	4,313	4,439	3,874	4,096
36 Nonbank depository and other financial institutions	23,054	23,199	23,112r	22,485r	22,821r	23,668	23,399	23,806	23,696
37 For purchasing and carrying securities	14,358	14,389	14,044	13,382	13,526	14,827	14,524	14,915	15,755
38 To finance agricultural production	5,763	5,750	5,812	5,863	5,875	5,918	5,969	6,029	6,036
39 To states and political subdivisions	23,911	23,886	23,812	23,748	23,716	23,675	23,549	23,463	23,233
40 To foreign governments and official institutions	1,412	1,538	1,614	1,472	1,495	1,440	1,601	1,455	1,373
41 All other	23,073	21,676	22,200r	21,194r	21,816r	22,311	22,540	23,159	22,338
42 Lease financing receivables	26,874	26,830	26,847	27,004	26,969	26,611	26,562	26,563	26,602
43 LESS: Unearned income	4,529	4,535	4,544	4,571	4,552	4,565	4,572	4,571	4,585
44 Loan and lease reserve[4]	36,986	37,114	37,186	37,168	36,927	36,804	36,729	36,638	36,328
45 Other loans and leases, net	976,252	973,325	974,348	972,015	973,632	974,249	973,521	975,700	973,434
46 All other assets	131,740	131,416	129,599r	128,514r	129,699r	131,048	131,042	130,470	133,949
47 **Total assets**	**1,549,154**	**1,518,889**	**1,531,547r**	**1,516,749r**	**1,540,340r**	**1,536,982**	**1,542,940**	**1,546,545**	**1,544,715**
48 Demand deposits	233,173	213,554	228,536r	213,126r	234,468r	224,364	224,483	224,425	221,301
49 Individuals, partnerships, and corporations	183,329	172,390	181,495r	169,583r	183,159r	179,025	181,882	177,207	174,223
50 States and political subdivisions	7,278	5,566	6,127r	5,737r	6,133r	5,967	5,467	6,744	6,280
51 U.S. government	2,766	1,638	3,689	3,157	1,472	2,870	2,187	6,383	3,562
52 Depository institutions in the United States	21,957	18,407	21,788r	18,686r	23,849r	20,506	19,036	19,936	19,714
53 Banks in foreign countries	6,446	5,924	6,146	6,089	7,385	5,840	5,952	5,207	6,170
54 Foreign governments and official institutions	960	1,210	892	720	818	657	686	649	633
55 Certified and officers' checks	10,436	8,420	8,399	9,153	11,652	9,499	9,272	8,299	10,719
56 Transaction balances other than demand deposits	82,643	81,068	80,655	79,545	80,102	83,389	81,781	80,109	79,050
57 Nontransaction balances	732,084	734,506	736,075r	740,468r	741,203r	744,820	745,471	742,467	742,044
58 Individuals, partnerships, and corporations	693,116	695,274	697,228r	701,315r	702,208r	706,167	707,104	703,809	703,437
59 States and political subdivisions	30,030	30,280	30,265	30,392	30,275	30,111	29,862	30,354	30,283
60 U.S. government	856	814	825	818	809	798	802	808	805
61 Depository institutions in the United States	7,539	7,606	7,217	7,411	7,381	7,210	7,162	6,995	7,020
62 Foreign governments, official institutions, and banks	542	531	540	531	529	534	541	500	499
63 Liabilities for borrowed money	308,666	295,363	292,650	288,407	288,196	290,596	296,802	306,125	305,037
64 Borrowings from Federal Reserve Banks	215	360	565	720	797	150	5,032	0	25
65 Treasury tax-and-loan notes	26,816	22,164	10,838	9,374	7,670r	3,236	1,673	22,327	21,636
66 All other liabilities for borrowed money[5]	281,635	272,839	281,247	278,313	279,729r	287,210	290,097	283,798	283,376
67 Other liabilities and subordinated notes and debentures	90,081	91,447	90,874r	92,250r	93,719r	90,026	90,218	89,149	93,126
68 **Total liabilities**	**1,446,647**	**1,415,939**	**1,428,789r**	**1,413,795r**	**1,437,688r**	**1,433,196**	**1,438,755**	**1,442,275**	**1,440,558**
69 Residual (total assets minus total liabilities)[6]	102,507	102,949	102,757	102,954	102,652	103,786	104,185	104,270	104,156
MEMO									
70 Total loans and leases (gross) and investments adjusted[7]	1,259,248	1,251,671	1,254,702	1,252,343	1,252,960	1,262,304	1,262,003	1,266,324	1,257,495
71 Total loans and leases (gross) adjusted[7]	1,015,597	1,009,613	1,011,596	1,007,979	1,009,368	1,012,813	1,013,438	1,016,178	1,011,998
72 Time deposits in amounts of $100,000 or more	214,510	215,729	215,084	215,613	215,305	215,309	214,189	213,266	212,417
73 U.S. Treasury securities maturing in one year or less	20,200	19,945	20,270r	19,858r	19,341r	20,044	20,546	21,427	19,650
74 Loans sold outright to affiliates—total[8]	295	292	295r	289r	310r	312	304	277	273
75 Commercial and industrial	143	139	143r	160r	161r	160	156	156	155
76 Other	153	152	152r	129r	149r	151	148	120	118
77 Nontransaction savings deposits (including MMDAs)	278,507	279,051	280,552r	280,742r	281,008r	283,771	285,168	282,285	281,992

1. Beginning Jan. 6, 1988, the "Large bank" reporting group was revised somewhat, eliminating some former reporters with less than $2 billion of assets and adding some new reporters with assets greater than $3 billion.
2. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
3. Includes securities purchased under agreements to resell.
4. Includes allocated transfer risk reserve.
5. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
6. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
7. Exclusive of loans and federal funds transactions with domestic commercial banks.
8. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

1.28 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY[1]

Millions of dollars, Wednesday figures

Account	1990								
	May 2	May 9	May 16	May 23	May 30	June 6	June 13	June 20	June 27
1 Cash balances due from depository institutions	22,051	21,671	22,491	22,815	28,161	22,378	26,726	22,839	25,658
2 **Total loans, leases, and securities, net[2]**	**221,559**	**217,093**	**218,306**	**216,033**	**218,334**	**216,989**	**217,980**	**218,900**	**219,108**
Securities									
3 U.S. Treasury and government agency[3]	0	0	0	0	0	0	0	0	0
4 Trading account[3]	0	0	0	0	0	0	0	0	0
5 Investment account	23,264r	23,312r	23,118r	23,219r	23,248r	23,376	23,343	23,322	23,238
6 Mortgage-backed securities[4]	12,558r	12,557r	12,617r	12,593r	12,563r	12,726	12,723	12,716	11,568
All other maturing in									
7 One year or less	3,734	3,779	3,723	3,734	3,718	3,718	3,716	3,715	3,908
8 Over one through five years	3,375r	3,380r	3,183r	3,327r	3,325	3,299	3,273	3,269	3,874
9 Over five years	3,596r	3,596r	3,595r	3,565r	3,642r	3,632	3,631	3,622	3,887
10 Other securities[3]	0	0	0	0	0	0	0	0	0
11 Trading account[3]	0	0	0	0	0	0	0	0	0
12 Investment account	13,051r	13,047r	13,067r	12,908r	12,807r	12,735	12,679	13,134	13,042
13 States and political subdivisions, by maturity	6,760	6,770	6,755	6,619	6,536	6,419	6,348	6,317	6,277
14 One year or less	535	544	549	556	557	554	560	558	582
15 Over one year	6,225	6,226	6,206	6,062	5,980	5,866	5,788	5,759	5,694
16 Other bonds, corporate stocks, and securities	6,291r	6,277r	6,312r	6,289r	6,270r	6,316	6,330	6,817	6,764
17 Other trading account assets[3]	0	0	0	0	0	0	0	0	0
Loans and leases									
18 Federal funds sold[5]	21,369r	17,412	17,400	16,805	18,194	16,491	18,296	18,173	21,060
19 To commercial banks	11,302r	9,300	8,318	8,924	10,594	7,546	9,434	9,346	13,169
20 To nonbank brokers and dealers in securities	6,382r	5,251r	6,162r	5,057r	4,770	5,981	6,262	6,110	5,253
21 To others	3,684r	2,861r	2,920r	2,823r	2,829	2,964	2,600	2,716	2,638
22 Other loans and leases, gross	182,032r	181,489	182,921	181,313	182,236	182,320	181,585	182,201	179,648
23 Other loans, gross	176,527r	175,993	177,443	175,674	176,608	176,766	176,048	176,676	174,138
24 Commercial and industrial	59,221	58,962	59,854	58,605	58,487	58,328	58,004	58,083	56,826
25 Bankers acceptances and commercial paper	109	149	105	125	112	99	113	134	116
26 All other	59,112	58,814	59,749	58,480	58,376	58,229	57,891	57,949	56,710
27 U.S. addressees	58,448	58,236	59,104	57,878	57,819	57,722	57,366	57,450	56,223
28 Non-U.S. addressees	664	577	645	602	557	507	526	499	487
29 Real estate loans	62,571	62,754	62,740	62,931	62,798	62,928	62,991	63,243	62,741
30 Revolving, home equity	4,051	4,050	4,055	4,061	4,064	4,070	4,078	4,089	4,094
31 All other	58,520	58,704	58,685	58,870	58,733	58,858	58,913	59,154	58,648
32 To individuals for personal expenditures	19,966	19,878	19,976	20,090	19,986	20,005	20,033	19,523	19,514
33 To depository and financial institutions	19,758r	19,446	19,461	19,512	20,419	19,935	19,443	19,854	18,781
34 Commercial banks in the United States	7,886r	8,002	8,042	7,823	7,908	7,933	7,474	8,150	7,025
35 Banks in foreign countries	3,530	3,093	3,076	3,452	4,232	3,393	3,441	2,933	3,203
36 Nonbank depository and other financial institutions	8,342	8,350	8,343	8,238	8,278	8,610	8,528	8,771	8,552
37 For purchasing and carrying securities	4,720	5,063	4,792	4,132	4,222	4,808	4,698	5,105	5,722
38 To finance agricultural production	125	118	140	138	138	137	139	136	135
39 To states and political subdivisions	5,173	5,168	5,188	5,154	5,125	5,248	5,104	5,028	4,988
40 To foreign governments and official institutions	209	325	391	255	294	265	434	292	211
41 All other	4,783	4,280	4,900	4,857	5,140	5,112	5,202	5,412	5,219
42 Lease financing receivables	5,506	5,495	5,479	5,639	5,628	5,554	5,538	5,525	5,511
43 LESS: Unearned income	1,808	1,819	1,827	1,826	1,812	1,817	1,819	1,825	1,828
44 Loan and lease reserve	16,350	16,348	16,373	16,386	16,341	16,116	16,106	16,105	16,052
45 Other loans and leases, net[6]	163,875r	163,322	164,721	163,101	164,084	164,387	163,661	164,271	161,769
46 All other assets[7]	57,020r	53,517r	53,468r	50,834r	50,836r	54,466	54,250	54,880	54,367
47 **Total assets**	**300,631r**	**292,282r**	**294,265r**	**289,682r**	**297,330r**	**293,834**	**298,955**	**296,619**	**299,133**
Deposits									
48 Demand deposits	49,661	45,136	48,617	46,740	52,878	47,289	48,137	47,308	48,995
49 Individuals, partnerships, and corporations	34,156	31,489	33,551	31,800	35,220	33,128	34,514	33,632	32,555
50 States and political subdivisions	743	548	633	477	567	610	505	660	948
51 U.S. government	343	244	741	582	217	406	160	951	602
52 Depository institutions in the United States	4,317	3,670	5,103	4,642	4,793	4,531	3,718	4,441	4,746
53 Banks in foreign countries	5,187	4,772	4,844	4,851	5,999	4,582	4,819	4,056	4,831
54 Foreign governments and official institutions	804	1,061	740	567	637	517	554	517	497
55 Certified and officers' checks	4,110	3,352	3,004	3,820	5,445	3,514	3,865	3,049	4,814
56 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	8,969	8,742	8,634	8,547	8,642	8,879	8,784	8,675	8,651
57 Nontransaction balances	117,048	116,745	117,135	116,797	116,943	117,706	118,435	116,655	115,765
58 Individuals, partnerships, and corporations	108,765	108,362	108,750	108,378	108,588	109,353	110,182	108,244	107,393
59 States and political subdivisions	6,201	6,280	6,270	6,296	6,234	6,212	6,062	6,309	6,258
60 U.S. government	36	36	38	42	35	37	39	39	37
61 Depository institutions in the United States	1,803	1,823	1,832	1,842	1,844	1,853	1,904	1,855	1,869
62 Foreign governments, official institutions, and banks	244	245	244	239	242	251	248	207	208
63 Liabilities for borrowed money	68,223	62,772	62,012	58,746	60,522	62,486	68,042	66,905	64,932
64 *Borrowings from Federal Reserve Banks*	0	0	0	0	0	0	3,834	0	0
65 Treasury tax-and-loan notes	5,837	4,787	2,138	1,775	1,488	738	363	5,167	4,918
66 All other liabilities for borrowed money[8]	62,386	57,984	59,874	56,972	59,034	61,748	63,845	61,739	60,014
67 Other liabilities and subordinated notes and debentures	32,094r	34,179r	33,300r	34,371r	34,182r	32,676	30,574	32,196	35,997
68 **Total liabilities**	**275,994r**	**267,575r**	**269,698r**	**265,202r**	**273,168r**	**269,036**	**273,972**	**271,739**	**274,340**
69 Residual (total assets minus total liabilities)[9]	24,637	24,707	24,567	24,480	24,162	24,798	24,984	24,880	24,793
MEMO									
70 Total loans and leases (gross) and investments adjusted[2,10]	220,529	217,958	220,146	217,498	217,984	219,444	218,996	219,334	216,794
71 Total loans and leases (gross) adjusted[10]	184,214	181,598	183,961	181,371	181,928	183,332	182,973	182,877	180,514
72 Time deposits in amounts of $100,000 or more	40,207r	39,874r	39,708	39,622	39,663	40,146	39,308	39,229	38,640
73 U.S. Treasury securities maturing in one year or less	1,932r	1,781r	1,793r	1,740r	1,827r	2,188	2,223	2,415	2,033

1. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Excludes trading account securities.
3. Not available due to confidentiality.
4. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
5. Includes securities purchased under agreements to resell.
6. Includes allocated transfer risk reserve.
7. Includes trading account securities.
8. Includes federal funds purchased and securities sold under agreements to repurchase.
9. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
10. Exclusive of loans and federal funds transactions with domestic commercial banks.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1990								
	May 2	May 9r	May 16r	May 23r	May 30r	June 6	June 13	June 20	June 27
1 Cash and due from depository institutions	14,055	13,096	14,084	13,302	15,056	14,270	14,561	13,816	14,587
2 Total loans and securities	152,113r	151,161	152,409	151,526	154,352	152,459	156,763	156,370	156,949
3 U.S. Treasury and government agency securities	11,493	10,142	10,112	13,342	13,849	14,144	14,430	14,359	15,194
4 Other securities	7,269	7,356	7,127	6,953	6,933	6,910	7,003	7,035	7,117
5 Federal funds sold[2]	7,475	7,479	8,578	5,658	7,917	4,236	7,081	6,386	6,197
6 To commercial banks in the United States	5,972	6,276	7,307	4,352	6,688	2,553	5,710	5,100	5,228
7 To others	1,503	1,203	1,271	1,306	1,229	1,683	1,371	1,286	969
8 Other loans, gross	125,876r	126,184	126,592	125,573	125,653	127,169	128,249	128,590	128,441
9 Commercial and industrial	75,687r	75,931	75,258	75,436	75,823	77,456	77,995	77,504	78,103
10 Bankers acceptances and commercial paper	2,285r	2,326	2,268	2,310	2,306	2,446	2,540	2,431	2,328
11 All other	73,402r	73,605	72,990	73,126	73,517	75,010	75,455	75,073	75,775
12 U.S. addressees	71,957r	72,172	71,544	71,666	72,047	73,534	74,098	73,667	74,359
13 Non-U.S. addressees	1,445	1,433	1,446	1,460	1,470	1,476	1,357	1,406	1,416
14 Loans secured by real estate[3]	21,890	21,960	22,301	22,279	22,369	22,361	22,589	22,786	22,824
15 To financial institutions	25,386r	25,681	25,860	25,033	24,695	24,680	24,284	24,858	24,247
16 Commercial banks in the United States	18,465r	18,519	18,795	18,490	18,411	18,183	18,247	18,880	18,189
17 Banks in foreign countries	2,281	2,524	2,367	1,913	1,668	1,847	1,388	1,270	1,283
18 Nonbank financial institutions	4,640r	4,638	4,698	4,630	4,616	4,650	4,649	4,708	4,775
19 To foreign governments and official institutions	220	210	218	188	185	191	207	238	226
20 For purchasing and carrying securities	1,319	1,042	1,336	1,237	1,231	1,091	1,403	1,675	1,506
21 All other[3]	1,374r	1,360	1,619	1,400	1,350	1,390	1,771	1,529	1,535
22 Other assets (claims on nonrelated parties)	33,922	33,984	32,702	32,800	32,550	33,667	33,580	32,984	32,950
23 Net due from related institutions	15,690	13,239	10,074	11,270	10,396	13,284	12,722	16,265	13,319
24 Total assets	215,780	211,481	209,268	208,898	212,355	213,683	217,626	219,435	217,803
25 Deposits or credit balances due to other than directly related institutions	51,528r	50,907	50,052	50,328	50,178	50,567	50,910	51,064	51,180
26 Transaction accounts and credit balances[4]	4,247	4,052	4,059	3,998	3,872	3,877	3,776	4,423	4,572
27 Individuals, partnerships, and corporations	2,930	2,707	2,656	2,718	2,684	2,689	2,628	2,703	2,683
28 Other	1,317	1,345	1,403	1,280	1,188	1,188	1,148	1,720	1,889
29 Nontransaction accounts[5]	47,281r	46,855	45,993	46,330	46,306	46,690	47,134	46,641	46,608
30 Individuals, partnerships, and corporations	39,571r	39,383	38,971	38,844	38,823	39,372	39,166	38,943	38,976
31 Other	7,710r	7,472	7,022	7,486	7,483	7,318	7,968	7,698	7,632
32 Borrowings from other than directly related institutions	101,464	102,282	97,141	96,808	97,032	100,561	102,466	105,387	101,985
33 Federal funds purchased[6]	43,714	43,043	39,019	38,843	39,523	43,068	45,274	48,771	42,915
34 From commercial banks in the United States	19,920	19,116	16,915	18,073	18,934	20,062	21,646	23,883	24,849
35 From others	23,794	23,927	22,104	20,770	20,589	23,006	23,628	24,888	18,066
36 Other liabilities for borrowed money	57,750	59,239	58,122	57,965	57,509	57,493	57,192	56,616	59,070
37 To commercial banks in the United States	31,484r	31,910	32,967	31,983	32,297	32,461	32,577	32,146	32,874
38 To others	26,266r	27,329	25,155	25,982	25,212	25,032	24,615	24,470	26,196
39 Other liabilities to nonrelated parties	33,324	33,021	32,060	35,632	36,744	37,237	36,874	36,261	36,856
40 Net due to related institutions	29,464r	25,270	30,013	26,130	28,400	25,319	27,374	26,723	27,781
41 Total liabilities	215,780	211,481	209,268	208,898	212,355	213,683	217,626	219,435	217,803
MEMO									
42 Total loans (gross) and securities adjusted[7]	127,676r	126,366	126,307	128,684	129,253	131,723	132,806	132,390	133,532
43 Total loans (gross) adjusted[7]	108,914r	108,868	109,068	108,389	108,471	110,669	111,373	110,996	111,221

1. Effective Jan. 4, 1989, the reporting panel includes a new group of large U.S. branches and agencies of foreign banks. Earlier data included 65 U.S. branches and agencies of foreign banks that included those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Includes securities purchased under agreements to resell.
3. Effective Jan. 4, 1989, loans secured by real estate are being reported as a separate component of Other loans, gross. Formerly, these loans were included in "All other", line 21.
4. Includes credit balances, demand deposits, and other checkable deposits.
5. Includes savings deposits, money market deposit accounts, and time deposits.
6. Includes securities sold under agreements to repurchase.
7. Exclusive of loans to and federal funds sold to commercial banks in the United States.

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances, not seasonally adjusted

Type of holder	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989 Mar.	1989 June	1989 Sept.	1989 Dec.	1990 Mar.	1990 June
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**321.0**	**363.6**	**343.5**	**354.7**	**330.4**	**329.3**	**337.3**	**352.2**	**328.7**	n.a.
2 Financial business	32.3	41.4	36.3	38.6	36.3	33.0	33.7	33.8	34.1	n.a.
3 Nonfinancial business	178.5	202.0	191.9	201.2	182.2	185.9	190.4	202.5	183.3	n.a.
4 Consumer	85.5	91.1	90.0	88.3	87.4	86.6	87.9	90.3	86.6	n.a.
5 Foreign	3.5	3.3	3.4	3.7	3.7	2.9	2.9	3.1	3.0	n.a.
6 Other	21.2	25.8	21.9	22.8	20.7	21.0	22.4	22.5	21.7	n.a.
	Weekly reporting banks									
7 **All holders—Individuals, partnerships, and corporations**	**168.6**	**195.1**	**183.8**	**198.3**	**181.9**	**182.2**	**186.6**	**196.7**	**183.7**	**186.3**
8 Financial business	25.9	32.5	28.6	30.5	27.2	25.4	26.3	27.6	25.6	25.0
9 Nonfinancial business	94.5	106.4	100.0	108.7	98.6	99.8	101.6	108.8	100.1	101.7
10 Consumer	33.2	37.5	39.1	42.6	41.1	42.4	43.0	44.1	42.4	43.3
11 Foreign	3.1	3.3	3.3	3.6	3.3	2.9	2.8	3.0	2.8	2.9
12 Other	12.0	15.4	12.7	12.9	11.7	11.7	12.9	13.2	12.8	13.3

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 *Bulletin*, p. 466. Figures may not add to totals because of rounding.

2. Beginning in March 1984, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1983 based on the new weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other 9.5.

Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is $5.0 billion at all insured commercial banks and $3.0 billion at weekly reporting banks.

Historical data back to March 1985 have been revised to account for corrections of bank reporting errors. Historical data before March 1985 have not been revised, and may contain reporting errors. Data for all commercial banks for March 1985 were revised as follows (in billions of dollars): all holders, −.3; financial business, −.8; nonfinancial business, −.4; consumer, .9; foreign, .1; other, −.1. Data for weekly reporting banks for March 1985 were revised as follows (in billions of dollars): all holders, −.1; financial business, −.7; nonfinancial business, −.5; consumer, 1.1; foreign, .1; other, −.2.

3. Beginning March 1988, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1987 based on the new weekly reporting panel are: financial business, 29.4; nonfinancial business, 105.1; consumer, 41.1; foreign, 3.4; other, 13.1.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**298,779**	**329,991**	**358,056**	**457,297**	**529,055**	**529,055**	**533,137**	**540,148**	**546,786**	**544,481**	**538,686**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	78,443	101,072	102,844	160,094	187,084	187,084	183,401	185,391	184,097	185,107	186,155
3 Bank-related (not seasonally adjusted)[3]	1,602	2,265	1,428	1,248	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	135,320	151,820	173,980	194,537	212,210	212,210	214,996	215,650	215,501	213,843	209,203
5 Bank-related (not seasonally adjusted)[3]	44,778	40,860	43,173	43,155	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies[5]	85,016	77,099	81,232	102,666	129,761	129,761	134,740	139,107	147,188	145,531	143,328
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**68,413**	**64,974**	**70,565**	**66,631**	**62,972**	**62,972**	**60,019**	**57,852**	**55,865**	**53,945**	**54,766**
Holder											
8 Accepting banks	11,197	13,423	10,943	9,086	9,433	9,433	9,954	10,351	9,574	9,200r	9,000
9 Own bills	9,471	11,707	9,464	8,022	8,510	8,510	8,467	8,907	8,386	7,850r	7,632
10 Bills bought	1,726	1,716	1,479	1,064	924	924	1,488	1,444	1,188	1,350	1,368
Federal Reserve Banks											
11 Own account	0	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	937	1,317	965	1,493	1,066	1,066	1,069	1,123	1,180	1,141	1,291
13 Others	56,279	50,234	58,658	56,052	52,473	52,473	48,996	46,379	45,111	43,604r	44,475
Basis											
14 Imports into United States	15,147	14,670	16,483	14,984	15,651	15,651	15,100	14,522	14,418	13,413	13,993
15 Exports from United States	13,204	12,960	15,227	14,410	13,683	13,683	13,437	12,567	12,161	12,610	12,727
16 All other	40,062	37,344	38,855	37,237	33,638	33,638	31,482	30,764	29,286	27,922	28,046

1. Institutions engaged primarily in activities such as, but not limited to, commercial savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial company paper sold by dealers in the open market.
3. Beginning January 1989, bank-related series have been discontinued.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Beginning January 1988, the number of respondents in the bankers acceptance survey were reduced from 155 to 111 institutions—those with $100 million or more in total acceptances. The panel is revised every January and currently has about 100 respondents. The current reporting group accounts for over 90 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1987— Apr. 1	7.75	1987	8.21	1988— Jan.	8.75	1989— Apr.	11.50
May 1	8.00	1988	9.32	Feb.	8.51	May	11.50
15	8.25	1989	10.87	Mar.	8.50	June	11.07
Sept. 4	8.75			Apr.	8.50	July	10.98
Oct. 7	9.25	1987— Jan.	7.50	May	8.84	Aug.	10.50
22	9.00	Feb.	7.50	June	9.00	Sept.	10.50
Nov. 5	8.75	Mar.	7.50	July	9.29	Oct.	10.50
		Apr.	7.75	Aug.	9.84	Nov.	10.50
1988— Feb. 2	8.50	May	8.14	Sept.	10.00	Dec.	10.50
May 11	9.00	June	8.25	Oct.	10.00		
July 14	9.50	July	8.25	Nov.	10.05	1990— Jan.	10.11
Aug. 11	10.00	Aug.	8.25	Dec.	10.50	Feb.	10.00
Nov. 28	10.50	Sept.	8.70			Mar.	10.00
		Oct.	9.07	1989— Jan.	10.50	Apr.	10.00
1989— Feb. 10	11.00	Nov.	8.78	Feb.	10.93	May	10.00
24	11.50	Dec.	8.75	Mar.	11.50	June	10.00
June 5	11.00					July	10.00
July 31	10.50						
1990— Jan. 8	10.00						

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per year; weekly, monthly and annual figures are averages of business day data unless otherwise noted.

Instrument	1987	1988	1989	1990 Mar.	1990 Apr.	1990 May	1990 June	1990 June 1	1990 June 8	1990 June 15	1990 June 22	1990 June 29
MONEY MARKET RATES												
1 Federal funds[1,2]	6.66	7.57	9.21	8.28	8.26	8.18	8.29	8.19	8.26	8.30	8.28	8.28
2 Discount window borrowing[1,2,3]	5.66	6.20	6.93	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Commercial paper[4,5]												
3 1-month	6.74	7.58	9.11	8.32	8.32	8.24	8.21	8.18	8.17	8.18	8.24	8.25
4 3-month	6.82	7.66	8.99	8.28	8.30	8.25	8.14	8.16	8.12	8.12	8.16	8.17
5 6-month	6.85	7.68	8.80	8.23	8.29	8.23	8.06	8.13	8.06	8.03	8.06	8.07
Finance paper, directly placed[4,5]												
6 1-month	6.61	7.44	8.99	8.23	8.23	8.14	8.12	8.10	8.09	8.10	8.13	8.16
7 3-month	6.54	7.38	8.72	8.04	8.13	8.12	8.01	8.05	8.01	7.99	8.02	8.04
8 6-month	6.37	7.14	8.16	7.49	7.74	8.04	7.79	7.92	7.76	7.79	7.80	7.83
Bankers acceptances[5,6]												
9 3-month	6.75	7.56	8.87	8.15	8.21	8.12	8.00	8.00	7.96	7.99	8.03	8.04
10 6-month	6.78	7.60	8.67	8.11	8.18	8.08	7.89	7.94	7.87	7.88	7.92	7.90
Certificates of deposit, secondary market[7]												
11 1-month	6.75	7.59	9.11	8.30	8.32	8.25	8.20	8.19	8.17	8.19	8.22	8.24
12 3-month	6.87	7.73	9.09	8.35	8.42	8.35	8.23	8.25	8.22	8.21	8.24	8.27
13 6-month	7.01	7.91	9.08	8.48	8.57	8.48	8.28	8.35	8.28	8.26	8.29	8.31
14 Eurodollar deposits, 3-month[8]	7.07	7.85	9.16	8.37	8.44	8.35	8.23	8.24	8.23	8.24	8.20	8.25
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	5.78	6.67	8.11	7.90	7.77	7.74	7.73	7.74	7.70	7.70	7.74	7.77
16 6-month	6.03	6.91	8.03	7.85	7.84	7.76	7.63	7.68	7.61	7.61	7.65	7.66
17 1-year	6.33	7.13	7.92	7.76	7.80	7.73	7.53	7.61	7.51	7.50	7.57	7.57
Auction average[10]												
18 3-month	5.82	6.69	8.12	7.87	7.78	7.78	7.74	7.80	7.69	7.73	7.74	7.78
19 6-month	6.05	6.92	8.04	7.83	7.82	7.82	7.64	7.74	7.62	7.64	7.64	7.67
20 1-year	6.33	7.17	7.91	7.76	7.72	8.05	7.65	n.a.	7.65	n.a.	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	6.77	7.65	8.53	8.35	8.40	8.32	8.10	8.18	8.08	8.05	8.14	8.13
22 2-year	7.42	8.10	8.57	8.63	8.72	8.64	8.35	8.46	8.33	8.31	8.41	8.36
23 3-year	7.68	8.26	8.55	8.63	8.78	8.69	8.40	8.50	8.38	8.36	8.44	8.42
24 5-year	7.94	8.48	8.50	8.60	8.77	8.74	8.43	8.52	8.41	8.39	8.47	8.45
25 7-year	8.23	8.71	8.52	8.65	8.81	8.78	8.52	8.61	8.50	8.48	8.56	8.55
26 10-year	8.39	8.85	8.49	8.59	8.79	8.76	8.48	8.58	8.46	8.44	8.52	8.51
27 30-year	8.59	8.96	8.45	8.56	8.76	8.73	8.46	8.56	8.44	8.42	8.49	8.49
Composite[13]												
28 Over 10 years (long-term)	8.64	8.98	8.58	8.74	8.92	8.90	8.62	8.73	8.60	8.57	8.66	8.65
State and local notes and bonds												
Moody's series[14]												
29 Aaa	7.14	7.36	7.00	6.98	7.04	6.97	6.88	6.75	6.85	6.90	6.93	6.95
30 Baa	8.17	7.83	7.40	7.41	7.43	7.37	7.11	7.11	7.15	7.08	7.10	7.10
31 *Bond Buyer* series[15]	7.63	7.68	7.23	7.29	7.39	7.35	7.24	7.26	7.21	7.20	7.28	7.27
Corporate bonds												
Seasoned issues[16]												
32 All industries	9.91	10.18	9.66	9.73	9.82	9.87	9.67	9.76	9.67	9.64	9.67	9.69
33 Aaa	9.38	9.71	9.26	9.37	9.46	9.47	9.26	9.38	9.27	9.21	9.26	9.27
34 Aa	9.68	9.94	9.46	9.51	9.64	9.70	9.49	9.57	9.49	9.46	9.49	9.52
35 A	9.99	10.24	9.74	9.82	9.89	9.89	9.70	9.79	9.73	9.69	9.69	9.70
36 Baa	10.58	10.83	10.18	10.21	10.30	10.41	10.22	10.29	10.21	10.19	10.24	10.25
37 A-rated, recently offered utility bonds[17]	9.96	10.20	9.79	9.92	10.09	10.04	9.85	9.87	9.78	9.83	9.89	9.92
MEMO: Dividend/price ratio[18]												
38 Preferred stocks	8.37	9.23	9.05	9.02	9.05	9.04	9.01	9.03	8.98	8.99	9.00	9.05
39 Common stocks	3.08	3.64	3.45	3.49	3.51	3.44	3.36	3.35	3.31	3.32	3.37	3.42

1. Weekly, monthly and annual figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than in an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1987	1988	1989	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May	1990 June
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	161.78	149.97	180.13	192.49	188.50	192.67	187.96	182.55	186.26	185.61	191.35	196.68
2 Industrial	195.31	180.83	228.04	229.40	224.38	230.12	225.79	220.60	226.14	226.86	234.85	242.42
3 Transportation	140.52	134.09	174.90	190.36	174.26	177.25	173.67	166.69	175.08	173.54	173.53	177.37
4 Utility	74.29	72.22	94.33	94.67	94.95	99.73	95.69	92.15	92.99	91.92	93.29	93.65
5 Finance	146.48	127.41	162.01	166.55	160.89	155.63	150.11	142.68	143.14	138.57	142.94	147.93
6 Standard & Poor's Corporation (1941–43 = 10)[1]	287.00	265.88	323.05	347.40	340.22	348.57	339.97	330.45	338.47	338.18	350.25	360.39
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	316.78	295.08	356.67	383.63	371.92	373.87	367.40	355.30	360.77	353.32	353.82	361.62
Volume of trading (thousands of shares)												
8 New York Stock Exchange	188,922	161,386	165,568	182,394	144,389	160,671	172,420	155,960	149,240	140,062	163,486	153,634
9 American Stock Exchange	13,832	9,955	13,124	13,853	12,001	13,298	14,831	13,735	15,133	13,961	14,005	12,421
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker-dealers**[3]	**31,990**	**32,740**	**34,320**	**35,110**	**34,630**	**34,320**	**32,640**	**31,480**	**30,760**	**31,060**	**31,600**	**31,720**
Free credit balances at brokers[4]												
11 Margin-account[5]	4,750	5,660	7,040	6,000	5,815	7,040	6,755	6,575	6,525	6,465	6,215	6,490
12 Cash-account	15,640	16,595	18,505	16,340	16,345	18,505	17,370	16,200	16,510	15,375	15,470	15,625

	Margin requirements (percent of market value and effective date)[6]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. New series beginning June 1984.
6. These regulations, adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market-value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1987	1988	1989						1990			
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	SAIF-insured institutions											
1 **Assets**	**1,250,855**	**1,350,500**	**1,329,503**	**1,315,920[r]**	**1,298,682[r]**	**1,286,711[r]**	**1,277,192[r]**	**1,249,647[r]**	**1,237,203[r]**	**1,225,179**		
2 Mortgages	721,593	764,513	762,206	760,786	755,427[r]	748,780[r]	745,091[r]	733,903[r]	727,371[r]	721,479		
3 Mortgage-backed securities	201,828	214,587	204,365	195,309	188,493	181,465[r]	176,387[r]	170,536[r]	169,396[r]	167,240		
4 Contra-assets to mortgage assets[1]	42,344	37,950	27,660[r]	27,433	27,085[r]	25,950[r]	24,976[r]	25,421[r]	23,620[r]	22,674		
5 Commercial loans	23,163	33,889	33,206	33,035	32,936	32,572	32,344[r]	32,154[r]	31,933[r]	31,781		
6 Consumer loans	57,902	61,922	61,079	60,958	60,405	59,722[r]	59,372[r]	58,722[r]	57,138[r]	56,822		
7 Contra-assets to nonmortgage loans[2]	3,467	3,056	3,199	3,163	3,129[r]	3,107[r]	3,194[r]	3,508[r]	2,041[r]	2,152		
8 Cash and investment securities	169,717	186,986	175,135	171,564	169,526[r]	172,727[r]	172,466[r]	166,015[r]	160,554[r]	157,038	n.a.	n.a.
9 Other[3]	122,462	129,610	124,370	124,864	122,109[r]	120,501[r]	119,703[r]	117,246[r]	116,472[r]	115,644		
10 **Liabilities and net worth**	**1,250,855**	**1,350,500**	**1,329,503**	**1,315,920[r]**	**1,298,682[r]**	**1,286,711[r]**	**1,277,192[r]**	**1,249,647[r]**	**1,237,203[r]**	**1,225,179**		
11 Savings capital	932,616	971,700	963,158	960,344	958,901	948,500	946,655	945,649	933,861[r]	926,499		
12 Borrowed money	249,917	299,400	301,571	289,634	281,684[r]	275,979[r]	268,462	252,204[r]	252,845[r]	247,692		
13 FHLBB	116,363	134,168	141,875	138,331	133,633	130,514	127,671	124,578	121,732[r]	120,561		
14 Other	133,554	165,232	159,696	151,303	148,051[r]	145,465[r]	140,791	127,626[r]	131,113[r]	127,131		
15 Other	21,941	24,216	31,887[r]	33,811	29,742[r]	30,971[r]	31,991[r]	27,395[r]	27,139[r]	28,249		
16 Net worth	n.a.	n.a.	32,887[r]	32,130[r]	28,355[r]	31,261[r]	30,084[r]	24,398[r]	23,355[r]	22,740		
	SAIF-insured federal savings banks											
17 **Assets**	**284,270**	**425,966**	**506,988**	**504,233**	**500,937**	**502,484**	**499,995**	**498,522**				
18 Mortgages	161,926	230,734	285,061	285,557	283,162	283,652	282,510	283,844				
19 Mortgage-backed securities	45,826	64,957	74,379	72,124	72,478	72,332	71,204	70,499				
20 Contra-assets to mortgage assets[1]	9,100	13,140	13,974	13,872	13,801	13,506	13,216	13,548				
21 Commercial loans	6,504	16,731	18,346	18,233	18,256	18,299	18,172	18,143				
22 Consumer loans	17,696	24,222	28,993	28,987	28,762	28,322	28,079	28,212				
23 Contra-assets to nonmortgage loans[2]	678	889	1,022	1,026	1,073	1,048	1,082	1,193				
24 Finance leases plus interest	591	880	1,089	1,076	1,092	1,085	1,092	1,101	n.a.	n.a.	n.a.	n.a.
25 Cash and investment	35,347	61,029	65,979	65,040	64,073	65,193	65,191	64,538				
26 Other	24,069	35,412	40,352	40,542	40,659	40,799	40,852	39,981				
27 **Liabilities and net worth**	**284,270**	**425,966**	**506,988**	**504,233**	**500,937**	**502,484**	**499,995**	**498,522**				
28 Savings capital	203,196	298,197	352,547	352,158	353,474	355,923	355,874	360,547				
29 Borrowed money	60,716	99,286	121,194	117,973	115,627	114,231	111,369	108,448				
30 FHLBB	29,617	46,265	59,781	59,189	57,941	57,793	56,842	57,032				
31 Other	31,099	53,021	61,413	58,784	57,686	56,438	54,527	51,416				
32 Other	5,324	8,075	10,696	11,443	9,904	10,317	10,749	9,041				
33 Net worth	15,034	20,218	26,253	26,381	25,952	25,983	25,958	22,716				

1.37—Continued

Account	1987	1988	1989 July	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.
			Credit unions[4]									
34 **Total assets/liabilities and capital**		**174,593**	**179,029**	**180,035**	**181,812**	**181,527**	**182,856**	**183,688**	**183,301**	**186,119**	**192,718**	**193,208**
35 Federal		114,566	117,475	117,463	118,746	118,887	119,682	120,666	120,489	122,885	126,690	127,250
36 State		60,027	61,554	62,572	63,066	62,640	63,174	63,022	62,812	63,234	66,028	65,958
37 Loans outstanding	n.a.	113,191	119,720	120,577	122,522	122,997	122,899	122,608	122,332	121,968	121,660	122,616
38 Federal		73,766	78,472	78,946	80,548	80,570	80,601	80,272	80,041	79,715	79,407	80,205
39 State		39,425	41,248	41,631	41,874	42,427	42,298	42,336	42,291	42,253	42,253	42,411
40 Savings		159,010	162,405	162,754	164,050	164,695	165,533	167,371	166,629	168,609	175,942	175,745
41 Federal		104,431	106,266	106,038	106,633	107,588	108,319	109,653	109,818	111,246	115,714	115,554
42 State		54,579	56,139	56,716	57,417	57,107	57,214	57,718	56,811	57,363	60,228	60,191
			Life insurance companies									
43 **Assets**	**1,044,459**	**1,166,870**	**1,247,341**	**1,257,045**	**1,266,773**	**1,276,181**	**1,289,467**	**1,303,691**				
Securities												
44 Government	84,426	84,051	84,438	83,225	82,867	83,727	83,609	84,381				
45 United States[5]	57,078	58,564	57,698	56,978	56,684	57,726	57,290	58,169				
46 State and local	10,681	9,136	9,061	9,002	9,037	9,019	9,280	9,191				
47 Foreign[6]	16,667	16,351	17,679	17,245	17,146	16,982	17,039	17,021				
48 Business	569,199	660,416	726,599	735,441	742,537	748,075	758,803	777,415	n.a.	n.a.	n.a.	n.a.
49 Bonds	472,684	556,043	606,686	614,585	621,856	628,695	637,690	642,445				
50 Stocks	96,515	104,373	119,913	120,856	120,681	119,380	121,113	134,970				
51 Mortgages	203,545	232,863	237,865	238,944	240,189	242,391	243,728	246,345				
52 Real estate	34,172	37,371	38,622	38,822	38,942	39,343	39,339	39,368				
53 Policy loans	53,626	54,236	55,812	56,077	56,403	56,727	56,916	57,141				
54 Other assets	89,586	97,933	104,005	104,536	105,835	105,918	107,072	110,284				

1. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to mortgage loans, contracts, and pass-through securities include loans in process, unearned discounts and deferred loan fees, valuation allowances for mortgages "held for sale," and specific reserves and other valuation allowances.
2. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to nonmortgage loans include loans in process, unearned discounts and deferred loan fees, and specific reserves and valuation allowances.
3. Holding of stock in Federal Home Loan Bank and Finance leases plus interest are included in "Other" (line 9).
4. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
5. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
6. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *SAIF-insured institutions:* Estimates by the OTS for all institutions insured by the SAIF and based on the OTS thrift Financial Report.

SAIF-insured federal savings banks: Estimates by the OTS for federal savings banks insured by the SAIF and based on the OTS thrift Financial Report.

Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

As of June 1989 Savings bank data are no longer available.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1987	Fiscal year 1988	Fiscal year 1989[r]	Calendar year 1990 Jan.	Feb.	Mar.	Apr.	May	June
U.S. budget[1]									
1 Receipts, total	854,143	908,166	990,701	99,538	65,170	64,819	139,624	69,212	110,614
2 On-budget	640,741	666,675	727,035	74,243	44,133	38,990[r]	106,775	45,514	83,717
3 Off-budget	213,402	241,491	263,666	25,295	21,037	25,829	32,849	23,697	26,897
4 Outlays, total	1,003,830	1,063,318	1,142,563[r]	91,272[r]	100,434	118,155	97,866	111,772	121,836
5 On-budget	809,998	860,627[r]	931,342[r]	72,958[r]	80,871[r]	97,632[r]	79,750	91,822	105,877
6 Off-budget	193,832	202,691	211,221	18,314[r]	19,563	20,523[r]	18,116	19,950	15,959
7 Surplus, or deficit (−), total	−149,687	−155,152[r]	−151,862[r]	8,265	−35,264	−53,336	41,759	−42,560	−11,222
8 On-budget	−169,257	−193,952[r]	−204,307[r]	1,285	−36,738	−58,642	27,025	−46,308	−22,160
9 Off-budget	19,570	38,800	52,445	6,980	1,474	5,306	14,733	3,747	10,937
Source of financing (total)									
10 Borrowing from the public	151,717	166,139	140,811	15,841	18,221	56,090	−5,935	23,380	23,519
11 Operating cash (decrease, or increase (−))	−5,052	−7,962[r]	3,425	−18,117[r]	25,463[r]	1,123	−20,830	25,594	−20,916
12 Other[2]	3,022	−3,025	7,626[r]	−5,989[r]	−8,420[r]	−3,877[r]	−14,994	−6,414[r]	8,619
MEMO									
13 Treasury operating balance (level, end of period)	36,436	44,398	40,973	45,051	19,589	18,466	39,296	13,702	34,618
14 Federal Reserve Banks	9,120	13,023[r]	13,452	13,153	6,613	4,832	5,205	4,426	5,470
15 Tax and loan accounts	27,316	31,375	27,521	31,899	12,976	13,634	34,091	9,276	29,148

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

2. Includes SDRs; reserve position on the U.S. quota in the IMF; loans to international monetary fund; other cash and monetary assets; accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* and the *Budget of the U.S. Government.*

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1988	Fiscal year 1989	Calendar year						
			1988	1989		1990	1990		
			H2	H1	H2	H1	Apr.	May	June
RECEIPTS									
1 **All sources**	**908,166**	**990,701**	**449,330**	**527,574**	**470,329**	**548,977**	**139,624**	**69,212**	**110,614**
2 Individual income taxes, net	401,181	445,690	200,300	233,572	218,661	243,529	74,375	21,467	49,639
3 Withheld	341,435	361,386	179,600	174,230	193,296	190,219	27,855	32,548	31,469
4 Presidential Election Campaign Fund	33	32	4	28	3	30	6	6	5
5 Nonwithheld	132,199	154,839	29,880	121,563	33,303	118,241	62,629	7,235	19,573
6 Refunds	72,487	70,567	9,186	62,251	7,943	64,962	16,115	18,322	1,408
Corporation income taxes									
7 Gross receipts	109,683	117,015	56,409	61,585	52,269	58,830	15,424	2,461	19,513
8 Refunds	15,487	13,723	7,250	7,259	6,842	8,326	2,049	904	944
9 Social insurance taxes and contributions, net	334,335	359,416	157,603	200,127	162,574	210,476	43,821	37,450	34,326
10 Employment taxes and contributions[2]	305,093	332,859	144,983	184,569	152,407	195,269	41,090	29,869	33,694
11 Self-employment taxes and contributions[3]	17,691	18,504	3,032	16,371	1,947	19,017	10,685	1,472	2,934
12 Unemployment insurance	24,584	22,011	10,359	13,279	7,909	12,929	2,377	7,155	252
13 Other net receipts[4]	4,659	4,547	2,262	2,277	2,260	2,278	354	426	380
14 Excise taxes	35,604	34,386	19,299	16,814	16,844	18,188	3,181	3,743	3,566
15 Customs deposits	15,411	16,334	8,107	7,918	8,667	8,096	1,273	1,371	1,387
16 Estate and gift taxes	7,594	8,745	4,054	4,583	4,451	6,442	2,307	1,045	852
17 Miscellaneous receipts[5]	19,909	22,839	10,809	10,235	13,703	11,742	1,291	2,579	2,276
OUTLAYS									
18 **All types**	**1,063,318**	**1,142,563**r	**552,727**r	**565,404**r	**587,524**r	**641,335**	**97,866**	**111,772**r	**121,836**
19 National defense	290,361	303,551	150,496	148,098	149,613	152,733	22,155	26,339	27,875
20 International affairs	10,471	9,596	2,627r	6,567r	6,029r	6,770	1,026	1,204	578
21 General science, space, and technology	10,841	12,891	5,852	6,238	7,091	6,974	1,247	1,106	1,253
22 Energy	2,297	3,745	1,966	2,221	1,564r	1,504	269	396	230
23 Natural resources and environment	14,625	16,084	9,072	7,022	9,183	7,343	1,211	1,536	1,233
24 Agriculture	17,210	16,948	6,911	9,619	4,132	7,450	2,089	1,254	170
25 Commerce and housing credit	18,828	27,810	19,836	4,129	22,200	38,788	3,890	8,937	17,880
26 Transportation	27,272	27,623	14,922	12,953	14,982	13,754	2,272	2,452	2,421
27 Community and regional development	5,294	5,755	2,690	1,833	4,879	3,987	534	681	552
28 Education, training, employment, and social services	31,938	35,697	16,162	18,083	18,663	19,537	3,266	3,127	3,092
29 Health	44,490	48,391	23,360	24,078	25,339	29,488	5,210	5,098	5,249
30 Social security and medicare	297,828	317,506	149,017	162,195	162,322	175,997	28,536	29,372	32,538
31 Income security	129,332	136,765	64,978	70,937	67,950	78,456	12,714	13,031	11,023
32 Veterans benefits and services	29,406	30,066	15,797	14,891	14,864	15,217	1,316	2,608	3,742
33 Administration of justice	8,436	9,396	4,361	4,801	4,963	4,983	861	895	859
34 General government	9,518	8,940	5,137	3,858	4,760r	4,891	395	678r	1,378
35 General-purpose fiscal assistance	1,816	n.a.	0	0	n.a.	n.a.	n.a.	n.a.	n.a.
36 Net interest[6]	151,748	169,314	78,317	86,009	87,927	91,155	14,542	16,062	14,493
37 Undistributed offsetting receipts[7]	-36,967	-37,212	-18,771	-18,131	-18,935	-17,688	-3,668	-3,002	-2,730

1. Functional details do not add to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Net interest function includes interest received by trust funds.
7. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*, and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1990*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1988			1989				1990	
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
1 **Federal debt outstanding**	**2,555.1**	**2,614.6**	**2,707.3**	**2,763.6**	**2,824.0**	**2,881.1**	**2,975.5**	**3,081.9**	**3,175.5**
2 Public debt securities	2,547.7	2,602.2	2,684.4	2,740.9	2,799.9	2,857.4	2,953.0	3,052.0	3,143.8
3 Held by public	2,013.4	2,051.7	2,095.2	2,133.4	2,142.1	2,180.7	2,245.2	2,329.3	n.a.
4 Held by agencies	534.2	550.4	589.2	607.5	657.8	676.7	707.8	722.8	n.a.
5 Agency securities	7.4	12.4	22.9	22.7	24.0	23.7	22.5	29.9	n.a.
6 Held by public	7.0	12.2	22.6	22.3	23.6	23.5	22.4	29.8	n.a.
7 Held by agencies	.5	.2	.3	.4	.5	.1	.1	.2	n.a.
8 **Debt subject to statutory limit**	**2,532.2**	**2,586.9**	**2,669.1**	**2,725.6**	**2,784.6**	**2,829.8**	**2,921.7**	**2,988.9**	**3,077.0**
9 Public debt securities	2,532.1	2,586.7	2,668.9	2,725.5	2,784.3	2,829.5	2,921.4	2,988.6	3,076.6
10 Other debt[1]	.1	.1	.2	.2	.2	.3	.3	.3	.4
11 MEMO: Statutory debt limit	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0	2,870.0	3,122.7	3,122.7	3,122.7

1. Includes guaranteed debt of Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. *Treasury Bulletin* and *Monthly Statement of the Public Debt of the United States*.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1986	1987	1988	1989	1989		1990	
					Q3	Q4	Q1	Q2
1 ***Total gross public debt***	***2,214.8***	***2,431.7***	***2,684.4***	***2,953.0***	***2,857.4***	***2,953.0***	***3,052.0***	***3,143.8***
By type								
2 Interest-bearing debt	2,212.0	2,428.9	2,663.1	2,931.8	2,836.3	2,931.8	3,029.5	3,121.5
3 Marketable	1,619.0	1,724.7	1,821.3	1,945.4	1,892.8	1,945.4	1,995.3	2,028.0
4 Bills	426.7	389.5	414.0	430.6	406.6	430.6	453.1	453.5
5 Notes	927.5	1,037.9	1,083.6	1,151.5	1,133.2	1,151.5	1,169.4	1,192.7
6 Bonds	249.8	282.5	308.9	348.2	338.0	348.2	357.9	366.8
7 Nonmarketable[1]	593.1	704.2	841.8	986.4	943.5	986.4	1,034.2	1,093.5
8 State and local government series	110.5	139.3	151.5	163.3	158.6	163.3	163.5	164.3
9 Foreign issues[2]	4.7	4.0	6.6	6.8	6.8	6.8	37.1	36.4
10 Government	4.7	4.0	6.6	6.8	6.8	6.8	37.1	36.4
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	90.6	99.2	107.6	115.7	114.0	115.7	118.0	120.1
13 Government account series[3]	386.9	461.3	575.6	695.6	663.7	695.6	705.1	758.7
14 Non-interest-bearing debt	2.8	2.8	21.3	21.2	21.1	21.2	22.4	22.3
By holder[4]								
15 U.S. government agencies and trust funds	403.1	477.6	589.2	707.8	676.7	707.8	722.8	
16 Federal Reserve Banks	211.3	222.6	238.4	228.4	220.6	228.4	219.3	
17 Private investors	1,602.0	1,731.4[r]	1,858.5[r]	2,015.8[r]	1,958.3[r]	2,015.8[r]	2,115.1	
18 Commercial banks	203.5	201.5	193.8	180.6[r]	174.8[r]	180.6[r]	182.0	
19 Money market funds	28.0	14.6	11.8	14.4	12.9	14.4	31.3	
20 Insurance companies	105.6	104.9	107.3	107.9	105.8[r]	107.9	108.0	
21 Other companies	68.8	84.6	87.1	93.8	93.5	93.8	95.0	n.a.
22 State and local Treasurys	262.8	284.6	313.6	337.1	332.2[r]	337.1	338.0	
Individuals								
23 Savings bonds	92.3	101.1	109.6	117.7	115.7	117.7	119.9	
24 Other securities	70.4	71.3[r]	79.2[r]	93.8[r]	93.5[r]	93.8[r]	95.0	
25 Foreign and international[5]	263.4	299.7	362.2[r]	393.4[r]	394.6[r]	393.4[r]	386.9	
26 Other miscellaneous investors[6]	506.6	569.1[r]	593.9[r]	674.3	632.4[r]	674.3	754.9	

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. Treasury agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. Treasury agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally-sponsored agencies.

SOURCES. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States;* data by holder and the *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Par value; averages of daily figures, in millions of dollars

	Item	1987	1988	1989	1990			1990					
					Apr.r	Mayr	June	May 23	May 30	June 6	June 13	June 20	June 27
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**110,050**	**101,623**	**112,722**	**106,862**	**114,737**	**97,102**	**101,448r**	**95,060r**	**112,209**	**81,628**	**103,248**	**98,039**
	By maturity												
2	Bills	37,924	29,387	30,737	32,971	30,760	27,086	26,540	28,747r	33,493	24,046	28,660	27,497
3	Other within 1 year	3,271	3,426	3,183	2,687	2,814	2,040	1,925	2,278	3,264	1,878	1,725	2,242
4	1–5 years	27,918	27,777	33,664	30,182	37,013	28,487	37,826r	27,806	30,627	22,318	26,939	34,615
5	5–10 years	24,014	24,939	28,680	26,197	26,145	23,750	20,957r	24,148	27,583	19,834	26,544	21,578
6	Over 10 years	16,923	16,093	16,458	14,825	18,005	15,739	14,200r	12,081	17,242	13,552	19,380	12,108
	By type of customer												
7	U.S. government securities dealers	2,936	2,761	3,286	3,354	3,839	3,729	3,576	2,692	4,303	2,729	4,174	4,271
8	U.S. government securities brokers	61,539	59,844	66,419	59,618	65,591	54,891	58,735r	54,314	62,601	46,253	57,445	55,997
9	All others[3]	45,575	39,019	43,016	43,890	45,308	38,482	39,136r	38,054r	45,305	32,647	41,628	37,772
10	Federal agency securities	18,084	15,903	18,626	19,751	17,998	18,442	13,303	15,006r	16,564	21,630	19,358	16,265
11	Certificates of deposit	4,112	3,369	2,798	1,728	1,437	1,123	1,100	1,350	1,269	988	1,133	1,151
12	Bankers acceptances	2,965	2,316	2,222	1,532	1,391	1,182	1,253	1,306	1,271	1,169	1,245	1,059
13	Commercial paper	17,135	22,927	31,805	39,797	36,605	36,746	36,112	37,516	37,514	35,824	37,356	37,325
	Futures contracts[4]												
14	Treasury bills	3,233	2,627	2,525	2,607	2,022	1,846	1,431	1,563	2,471	1,555	1,275	2,157
15	Treasury coupons	8,963	9,695	9,602	9,798	10,780	9,819	10,481	8,557r	11,510	7,258	12,238	7,922
16	Federal agency securities	5	1	8	12	12	47	20	0	5	21	150	1
	Forward transactions[5]												
17	U.S. Treasury securities	2,029	2,095	2,127	1,837	2,449	1,393	2,218	1,170	1,520	1,057	1,770	1,416
18	Federal agency securities	9,290	8,008	9,483	10,064	12,826	9,772	11,360	8,360	8,738	13,444	10,639	6,053

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. Treasury securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

2. Data for immediate transactions do not include forward transactions.

3. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. *Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.*

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for Treasury securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

	Item	1987	1988	1989	1990 Apr.	1990 May	1990 June	1990 May 30	1990 June 6	1990 June 13	1990 June 20	1990 June 27
	Positions											
	Net *immediate*[2]											
1	**U.S. Treasury securities**	**−6,216**	**−22,765**	**−5,940**	**−6,505r**	**−14,454r**	**−6,806**	**−10,765**	**−3,622**	**−4,928**	**−7,653**	**−11,676**
2	Bills	4,317	2,238	7,835	9,820r	2,713	5,424	1,072	8,534	5,594	4,343	2,990
3	Other within 1 year	1,557	−2,236	−1,528	837	190	2,071	210	1,093	2,202	2,598	1,972
4	1–5 years	649	−3,020	2,338	4,163r	1,673	2,423	3,806	1,868	2,956	2,800	1,925
5	5–10 years	−6,564	−9,663	−8,133	−5,891	−3,701r	−3,905	−1,393	−1,829	−3,275	−4,447	−5,584
6	Over 10 years	−6,174	−10,084	−6,452	−15,434	−15,329r	−12,818	−14,459	−13,288	−12,404	−12,947	−12,979
7	Federal agency securities	31,911	28,230	31,913	34,928	36,216r	35,986	32,745	32,300	37,041	39,291	34,116
8	Certificates of deposit	8,188	7,300	6,674	3,579r	3,509	3,039	3,440	3,481	3,067	2,786	2,911
9	Bankers acceptances	3,660	2,486	2,089	1,277	1,081	1,299	1,021	1,487	1,370	1,307	1,023
10	Commercial paper	7,496	6,152	8,242	7,492	7,410	9,315	6,265	9,788	8,750	10,265	8,217
	Futures positions											
11	Treasury bills	−3,373	−2,210	−4,599	−7,017	−8,091	−5,961	−7,556	−7,553	−6,958	−4,784	−4,837
12	Treasury coupons	5,988	6,224	−2,918	−4,739r	−5,604	−7,860	−6,939	−7,793	−7,961	−7,448	−8,016
13	Federal agency securities	−95	0	14	22	22	183	5	10	109	272	305
	Forward positions											
14	U.S. Treasury securities	−1,211	346	−545	−1,188r	−305	767	297	−153	4	1,268	1,864
15	Federal agency securities	−18,817	−16,348	−16,878	−12,146r	−14,888	−15,467	−12,750	−12,083	−16,052	−19,099	−13,640
	Financing[3]											
	Reverse repurchase agreements[4]											
16	Overnight and continuing	126,709	136,327	157,955	160,104	161,523	0	155,850	155,318	162,631	151,271	149,491
17	Term	148,288	177,477	225,126	220,483	219,006	0	211,400	208,799	212,339	214,964	209,526
	Repurchase agreements[5]											
18	Overnight and continuing	170,763	172,695	219,083	227,829	218,348	0	214,737	215,525	219,932	216,806	217,708
19	Term	121,270	137,056	179,557	175,175	182,135	0	174,829	172,743	178,047	178,358	172,693

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. Treasury securities dealers on its published list of primary dealers.

Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. *Immediate positions are net amounts (in terms of par values) of securities* owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some *repurchase agreements are sufficiently long, however, to suggest that the securities* involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

3. Figures cover financing involving U.S. Treasury and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

4. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

5. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1985	1986	1987	1988	1990 Jan.	Feb.	Mar.	Apr.	May
1 **Federal and federally sponsored agencies**	**293,905**	**307,361**	**341,386**	**381,498**	**414,414**	**420,309**	**420,246**	**0**	**0**
2 Federal agencies	36,390	36,958	37,981	35,668	34,995	42,974	42,492	42,526	42,482
3 Defense Department[1]	71	33	13	8	7	7	7	7	7
4 Export-Import Bank[2,3]	15,678	14,211	11,978	11,033	10,985	10,985	11,017	11,017	11,017
5 Federal Housing Administration[4]	115	138	183	150	239	280	318	352	365
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	1,615	0	0	0	0	0	0
7 Postal Service[6]	1,940	3,104	6,103	6,142	6,445	6,445	6,445	6,445	6,148
8 Tennessee Valley Authority	16,347	17,222	18,089	18,335	17,319	25,257	24,705	24,705	24,945
9 United States Railway Association[6]	74	85	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	257,515	270,553	303,405	345,830	379,419	377,335	377,755	0	0
11 Federal Home Loan Banks	74,447	88,758	115,727	135,836	133,699	132,975	131,526	127,401	125,515
12 Federal Home Loan Mortgage Corporation	11,926	13,589	17,645	22,797	25,298	25,017	26,152	28,789	0
13 Federal National Mortgage Association	93,896	93,563	97,057	105,459	115,164	116,207	116,815	117,357	118,108
14 Farm Credit Banks[8]	68,851	62,478	55,275	53,127	55,809	53,790	53,732	53,700	53,795
15 Student Loan Marketing Association[9]	8,395	12,171	16,503	22,073	30,908	30,806	30,988	0	0
16 Financing Corporation[10]	0	0	1,200	5,850	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	0	0	0	690	847	847	847	847	847
18 Resolution Funding Corporation[12]	0	0	0	0	9,524	9,524	9,524	13,026	13,026
MEMO									
19 **Federal Financing Bank debt**[13]	**153,373**	**157,510**	**152,417**	**142,850**	**134,263**	**133,567**	**135,448**	**136,957**	**141,536**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	15,670	14,205	11,972	11,027	10,979	10,979	11,011	11,011	11,011
21 Postal Service[6]	1,690	2,854	5,853	5,892	6,195	6,195	6,195	6,195	5,898
22 Student Loan Marketing Association	5,000	4,970	4,940	4,910	4,880	4,880	4,880	4,880	4,880
23 Tennessee Valley Authority	14,622	15,797	16,709	16,955	15,939	15,877	15,325	15,325	15,565
24 United States Railway Association[6]	74	85	0	0	0	0	0	0	0
Other Lending[14]									
25 Farmers Home Administration	64,234	65,374	59,674	58,496	53,461	52,831	52,726	51,916	51,591
26 Rural Electrification Administration	20,654	21,680	21,191	19,246	19,212	19,219	19,221	19,191	19,182
27 Other	31,429	32,545	32,078	26,324	23,597	23,586	26,090	28,439	33,409

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown in line 17.
9. Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 21.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation (established in January 1988 to provide assistance to the Farm Credit System) undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.
14. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1987	1988	1989	1989		1990					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 **All issues, new and refunding**[1]	**102,407**	**114,522**	**113,646**	**9,564**	**13,636**	**6,694**	**6,329**	**9,880**	**8,582**	**12,032r**	**13,625**
Type of issue											
2 General obligation	30,589	30,312	35,774	3,328	2,158	2,675	3,010	3,199	3,386	3,166	4,426
3 Revenue	71,818	84,210	77,873	6,237	11,478	4,019	3,319	6,681	5,196	8,866	9,199
Type of issuer											
4 State	10,102	8,830	11,819	930	911	712	1,196	707	1,387	1,003	1,090
5 Special district and statutory authority[2]	65,460	74,409	71,022	5,473	9,391	4,744	3,277	6,247	4,366	7,485	8,556
6 Municipalities, counties, and townships	26,845	31,193	30,805	3,161	3,334	1,238	1,856	2,926	2,243	3,544	3,977
7 **Issues for new capital, total**	**56,789**	**79,665**	**84,062**	**7,777**	**10,195**	**6,263**	**5,635**	**6,667**	**7,744**	**10,486r**	**10,974**
Use of proceeds											
8 Education	9,524	15,021	15,133	1,058	1,495	1,374	1,420	1,018	1,054r	1,694	2,612
9 Transportation	3,677	6,825	6,870	675	645	98	511	1,158	1,215r	1,375	1,592
10 Utilities and conservation	7,912	8,496	11,427	1,137	2,219	1,747	718	502	991r	1,232	2,159
11 Social welfare	11,106	19,027	16,703	1,441	2,518	1,017	432	1,425	2,664	2,628	2,199
12 Industrial aid	7,474	5,624	5,036	444	1,119	200	115	432	232	681	693
13 Other purposes	18,020	24,672	28,894	3,022	2,199	1,827	2,439	2,132	2,426	2,155	4,366

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts beginning 1986.

SOURCES. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1987	1988	1989r	1989			1990				
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 **All issues**[1]	**392,569r**	**410,294r**	**348,255**	**24,898r**	**20,777r**	**21,762r**	**15,084**	**13,728r**	**20,918r**	**15,056r**	**22,751**
2 **Bonds**[2]	**326,061r**	**352,494r**	**202,350**	**21,218r**	**16,537r**	**17,817r**	**12,806**	**10,809r**	**17,124r**	**13,300r**	**20,400**
Type of offering											
3 Public, domestic	209,685r	201,616r	179,592	20,090r	14,454r	16,191r	10,754	9,902r	15,230r	12,300r	17,600
4 Private placement, domestic[3]	92,070	127,700	114,629	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5. Sold abroad	24,306	23,178	22,758	1,128	2,083	1,626	2,052	907	1,894	1,000	2,800
Industry group											
6 Manufacturing	60,857r	70,454r	76,090	3,646	3,611r	4,285r	2,036	2,438r	3,179r	3,445r	1,881
7 Commercial and miscellaneous	49,773	62,024r	49,247	1,830	1,253	347	655	131	253	617r	1,083
8 Transportation	11,974	10,075r	10,050	906	312	1,083	35	53	386	194	817
9 Public utility	23,004	19,318	16,739	1,753r	1,022	1,171r	1,043	1,057	317	435r	887
10 Communication	7,340	5,952r	8,478	782r	812	577	23	35	704	500	225
11 Real estate and financial	173,115r	184,670r	156,376	12,302r	9,526r	10,355r	9,016	7,096	12,286r	8,109r	15,507
12 **Stocks**[2]	**66,508**	**57,802**	**57,870**	**3,680**	**4,240**	**3,945**	**2,278**	**2,919**	**3,794**	**1,756**	**2,351**
Type											
13 Preferred	10,123	6,544	6,194	570	160	626	50	167	1,028	193	665
14 Common	43,225	35,911	26,030	3,110	4,080	3,319	2,228	2,752	2,767	1,564	1,686
15 Private placement[3]	13,157	15,346	25,647	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	13,880	7,608	9,308	190	378	279	835	431	521	253	86
17 Commercial and miscellaneous	12,888	8,449	7,446	728	498	1,045	248	1,017	552	666	706
18 Transportation	2,439	1,535	1,929	50	0	0	0	0	0	0	22
19 Public utility	4,322	1,898	3,090	465	211	244	106	582	533	219	471
20 Communication	1,458	515	1,904	0	0	0	0	0	0	0	380
21 Real estate and financial	31,521	37,798	34,028	2,214	3,153	2,377	1,090	889	2,188	619	686

1. Figures which represent gross proceeds of issues maturing in more than one year, are principal amount or number of units multiplied by offering price. Excludes secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data include only public offerings.
3. Data are not available on a monthly basis. Before 1987, annual totals include underwritten issues only.

SOURCES. IDD Information Services, Inc., the Board of Governors of the Federal Reserve System, and before 1989, the U.S. Securities and Exchange Commission.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1988	1989	1989			1990				
			Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May
INVESTMENT COMPANIES[1]										
1 **Sales of own shares[2]**	**271,237**	**306,445**	**23,872**	**24,673**	**30,982**	**35,620**	**26,118**	**28,817**	**29,788**	**27,428**
2 Redemptions of own shares[3]	267,451	272,165	21,702	19,573	24,967	27,331	20,978	23,777	27,306	23,337
3 Net sales	3,786	34,280	2,170	5,100	6,015	8,289	5,140	5,040	2,482	4,091
4 **Assets[4]**	**472,297**	**553,871**	**534,922**	**549,892**	**553,871**	**535,165**	**542,725**	**549,638**	**542,061**	**574,299**
5 Cash position[5]	45,090	44,780	46,146	47,875	44,780	48,865	51,356	50,454	55,213	52,869
6 Other	427,207	509,091	488,776	502,017	509,091	486,300	491,369	499,184	486,848	521,430

1. Data on sales and redemptions exclude money market mutual funds but include limited maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited maturity municipal bond funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1987	1988	1989	1988			1989				1990
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 Corporate profits with inventory valuation and capital consumption adjustment	298.7	328.6	301.3	325.3	330.9	340.2	316.3	307.8	295.2	285.9	289.7
2 Profits before tax	266.7	306.8	290.6	305.3	314.4	318.8	318.0	296.0	275.0	273.7	283.3
3 Profits tax liability	124.7	137.9	129.7	138.4	141.2	143.2	144.4	134.9	122.6	116.9	124.8
4 Profits after tax	142.0	168.9	160.9	166.9	173.2	175.6	173.6	161.1	152.4	156.7	158.5
5 Dividends	98.7	110.4	122.1	108.6	112.2	115.2	118.5	120.9	123.3	125.6	128.1
6 Undistributed profits	43.3	58.5	38.9	58.3	61.1	60.4	55.1	40.2	29.1	31.1	30.4
7 Inventory valuation	−18.9	−25.0	n.a.	−28.8	−30.4	−20.1	−38.3	−21.0	n.a.	n.a.	n.a.
8 Capital consumption adjustment	50.9	46.8	29.3	48.9	46.9	41.5	36.6	32.3	26.5	21.9	17.5

SOURCE. *Survey of Current Business* (Department of Commerce).

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1988	1989	1990	1988	1989				1990		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1 **Total nonfarm business**	**430.76**	**475.52**	**507.23**	**442.11**	**459.47**	**470.86**	**484.93**	**486.80**	**500.29**	**506.84**	**511.59**
Manufacturing											
2 Durable goods industries	78.30	83.68	85.71	80.56	81.26	82.97	85.66	84.84	88.04	83.97	84.99
3 Nondurable goods industries	88.01	100.86	105.18	92.76	93.96	98.57	102.00	108.92	104.32	105.56	105.33
Nonmanufacturing											
4 Mining	12.66	12.52	13.40	12.38	12.15	12.70	12.59	12.65	12.86	13.77	14.02
Transportation											
5 Railroad	7.06	8.12	8.14	7.45	8.02	7.37	8.16	8.94	8.58	7.99	7.78
6 Air	7.28	8.91	12.39	7.69	7.04	9.49	12.48	6.61	11.10	12.11	15.09
7 Other	7.00	7.56	7.68	6.89	8.07	7.40	7.89	6.87	8.39	7.01	7.61
Public utilities											
8 Electric	32.03	34.20	34.87	33.69	33.69	35.34	33.73	34.04	31.94	36.75	35.52
9 Gas and other	14.64	16.52	17.65	15.04	17.12	16.67	15.84	16.46	17.59	17.79	18.44
10 Commercial and other[2]	183.76	203.14	222.22	185.65	198.15	200.36	206.59	207.46	217.46	221.89	222.82

▲Trade and services are no longer being reported separately. They are included in Commercial and other, *line 10*.
1. Anticipated by business.
2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period

Account	1985	1986	1987	1988 Q3	1988 Q4	1989 Q1	1989 Q2	1989 Q3	1989 Q4	1990 Q1
ASSETS										
Accounts receivable, gross[2]										
1 Consumer	111.9	134.7	141.1	146.3	146.2	139.1	143.9	146.3	140.8	137.9
2 Business	157.5	173.4	207.4	223.3	236.5	243.3	250.9	246.8	256.0	262.9
3 Real estate	28.0	32.6	39.5	43.1	43.5	45.1	47.1	48.7	48.9	52.1
4 Total	297.4	340.6	388.1	412.7	426.2	427.5	441.9	441.8	445.8	452.8
Less:										
5 Reserves for unearned income	39.2	41.5	45.3	48.4	50.0	51.0	52.2	52.9	52.0	51.9
6 Reserves for losses	4.9	5.8	6.8	7.1	7.3	7.4	7.5	7.7	7.7	7.9
7 Accounts receivable, net	253.3	293.3	336.0	357.3	368.9	369.2	382.2	381.3	386.1	393.0
8 All other	45.3	58.6	58.3	68.7	72.4	75.1	81.4	85.2	91.6	92.5
9 **Total assets**	**298.6**	**351.9**	**394.2**	**426.0**	**441.3**	**444.3**	**463.6**	**466.4**	**477.6**	**485.5**
LIABILITIES										
10 Bank loans	18.0	18.6	16.4	11.9	15.4	11.3	12.1	12.2	14.5	13.9
11 Commercial paper	99.2	117.8	128.4	129.4	142.0	147.8	149.0	147.2	149.5	152.9
Debt										
12 Other short-term	12.7	17.5	28.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	94.4	117.5	137.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Due to parent	n.a.	n.a.	n.a.	51.5	50.6	56.9	59.8	60.3	63.8	70.5
15 Not elsewhere classified	n.a.	n.a.	n.a.	139.3	137.9	133.6	140.5	145.1	147.8	145.7
16 All other liabilities	41.5	44.1	52.8	58.9	59.8	58.1	63.5	61.8	62.6	61.7
17 Capital, surplus, and undivided profits	32.8	36.4	31.5	34.9	35.6	36.6	38.8	39.8	39.4	40.7
18 **Total liabilities and capital**	**298.6**	**351.9**	**394.2**	**426.0**	**441.3**	**444.3**	**463.6**	**466.4**	**477.6**	**485.5**

1. Components may not add to totals because of rounding.
2. Excludes pools of securitized assets.

1.52 DOMESTIC FINANCE COMPANIES Business Credit Outstanding and Net Change[1]

Millions of dollars, seasonally adjusted

Type	1987	1988	1989	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May
1 **Total**	**205,992**	**234,578**	**258,504**	**258,504**	**259,467**	**259,015**	**261,662**	**262,379**	**266,859**
Retail financing of installment sales									
2 Automotive	36,139	36,957	39,139	39,139	39,252	39,125	39,264	39,550	39,245
3 Equipment	25,075	28,199	29,674	29,674	29,690	29,483	29,789	30,115	30,635
4 Pools of securitized assets[2]	n.a.	n.a.	698	698	720	681	704	662	622
Wholesale									
5 Automotive	30,070	32,357	33,074	33,074	30,463	29,491	29,963	29,672	29,896
6 Equipment	5,578	5,954	6,896	6,896	9,183	9,155	9,408	9,372	9,429
7 All other	8,329	9,312	9,918	9,918	9,943	9,877	10,030	9,961	9,892
8 Pools of securitized assets[2]	n.a.	n.a.	0	0	0	0	0	0	0
Leasing									
9 Automotive	22,097	24,875	27,074	27,074	26,978	27,161	28,325	28,528	28,878
10 Equipment	43,493	57,658	68,112	68,112	68,904	69,335	68,755	69,473	72,715
11 Pools of securitized assets[2]	n.a.	n.a.	1,247	1,247	1,242	1,377	1,433	1,646	1,597
12 Loans on commercial accounts receivable and factored commercial accounts receivable	18,170	18,103	19,081	19,081	18,975	19,155	19,426	18,716	18,700
13 All other business credit	17,042	21,162	23,590	23,590	24,118	24,176	24,565	24,685	25,250
	Net change (during period)								
14 **Total**	**33,866**	**22,434**	**22,580**	**2,504**	**−1,255**	**−452**	**2,647**	**717**	**4,480**
Retail financing of installment sales									
15 Automotive	9,925	819	2,182	87	112	−127	140	286	−305
16 Equipment	2,056	1,386	1,475	197	16	−207	306	327	520
17 Pools of securitized assets[2]	n.a.	n.a.	−26	−41	22	−39	23	−42	−40
Wholesale									
18 Automotive	7,158	2,288	716	414	−2,611	−972	472	−291	224
19 Equipment	250	377	940	−131	68	−28	254	−37	57
20 All other	1,293	983	605	−45	26	−66	153	−69	−69
21 Pools of securitized assets[2]	n.a.	n.a.	0	0	0	0	0	0	0
Leasing									
22 Automotive	2,174	2,777	2,201	−387	−97	183	1,164	203	351
23 Equipment	5,271	9,752	9,187	2,124	792	431	−580	718	3,243
24 Pools of securitized assets[2]	n.a.	n.a.	526	154	−5	135	56	213	−49
25 Loans on commercial accounts receivable and factored commercial accounts receivable	2,245	−65	979	86	−107	180	272	−711	−16
26 All other business credit	3,498	4,119	3,796	46	528	59	388	120	565

1. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.
2. Data on pools of securitized assets are not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1987	1988	1989	1989	1990					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	137.0	150.0	159.6	162.7	148.5	148.9	138.2	155.5	162.1	149.8
2 Amount of loan (thousands of dollars)	100.5	110.5	117.0	119.9	107.3	109.0	100.9	114.6	119.7	111.8
3 Loan/price ratio (percent)	75.2	75.5	74.5	74.4	73.4	74.6	74.7	75.4	75.0	76.4
4 Maturity (years)	27.8	28.0	28.1	27.9	27.1	27.4	26.6	26.6	28.1	26.9
5 Fees and charges (percent of loan amount)[2]	2.26	2.19	2.06	2.18	1.85	1.87	1.96	2.00	2.41	1.96
6 Contract rate (percent per year)	8.94	8.81	9.76	9.70	9.59	9.56	9.70	9.83	9.87	9.80
Yield (percent per year)										
7 OTS series[3]	9.31	9.18	10.11	10.07	9.91	9.88	10.03	10.17	10.28	10.13
8 HUD series[4]	10.17	10.30	10.21	9.72	10.00	10.12	10.20	10.46	10.19	10.12
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	10.16	10.49	10.24	9.72	10.01	10.22	10.30	10.75	10.23	10.18
10 GNMA securities[6]	9.44	9.83	9.71	9.07	9.24	9.44	9.53	9.77	9.77	9.54
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	95,030	101,329	104,974	110,721	111,329	111,628	112,353	112,463	112,791	112,855
12 FHA/VA-insured	21,660	19,762	19,640	20,283	20,471	20,614	20,688	20,707	20,723	20,830
13 Conventional	73,370	81,567	85,335	90,438	90,858	91,014	91,665	91,756	92,068	92,025
Mortgage transactions (during period)										
14 Purchases	20,531	23,110	22,518	2,982	2,214	1,537	1,945	1,705	1,630	1,802
Mortgage commitments[7]										
15 Contracted (during period)	25,415	23,435	27,409	2,495	1,787	3,216	3,789	5,700	n.a.	n.a.
16 Outstanding (end of period)	4,886	2,148	6,037	6,037	5,619	4,977	6,765	10,534	n.a.	n.a.
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	12,802	15,105	20,105	21,852	20,361	20,112	19,823	19,730	n.a.	n.a.
18 FHA/VA	686	620	590	584	578	572	561	555	n.a.	n.a.
19 Conventional	12,116	14,485	19,516	21,269	19,782	19,540	19,261	19,174	n.a.	n.a.
Mortgage transactions (during period)										
20 Purchases	76,845	44,077	78,588	8,718	6,423	5,676	6,301	5,719	n.a.	n.a.
21 Sales	75,082	39,780	73,446	8,526	7,764	5,796	6,503r	5,687r	4,575	6,291
Mortgage commitments[9]										
22 Contracted (during period)	71,467	66,026	88,519	7,820	8,020	5,922	6,119	10,441	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder, and type of property	1987	1988	1989r	1989 Q1	1989 Q2	1989 Q3	1989 Q4r	1990 Q1p
1 **All holders**	**2,977,293**	**3,242,267r**	**3,519,833**	**3,307,397r**	**3,378,104r**	**3,447,291r**	**3,519,833**	**3,568,853**
2 1- to 4-family	1,959,607	2,168,803r	2,388,857	2,215,142r	2,271,549r	2,328,881r	2,388,857	2,425,966
3 Multifamily	273,954	287,056r	302,216	291,512r	295,337r	298,633r	302,216	306,130
4 Commercial	654,863	699,620r	742,301	714,774r	724,485r	733,189r	742,301	750,378
5 Farm	88,869	86,788r	86,459	85,969r	86,733r	86,588r	86,459	86,379
6 Selected financial institutions	1,664,211	1,805,428r	1,891,568	1,838,109r	1,870,362r	1,887,299r	1,891,568	1,897,852
7 Commercial banks[2]	591,369	669,160	756,786	688,662	715,049	737,979	756,786	771,319
8 1- to 4-family	276,270	314,283	358,652	324,681	338,872	349,739	358,652	365,539
9 Multifamily	33,330	34,131	36,994	34,172	34,954	36,075	36,994	37,705
10 Commercial	267,340	305,242	343,841	313,941	324,878	335,296	343,841	350,444
11 Farm	14,429	15,504	17,299	15,868	16,345	16,869	17,299	17,631
12 Savings institutions[3]	860,467	903,629r	893,709	914,537r	919,153r	913,553r	893,709	883,628
13 1- to 4-family	602,408	657,591r	657,868	667,671r	673,608r	670,308r	657,868	649,537
14 Multifamily	106,359	108,003r	103,832	107,880r	107,622r	106,023r	103,832	103,025
15 Commercial	150,943	137,384r	131,377	138,330r	137,275r	136,561r	131,377	130,443
16 Farm	757	651r	632	656r	648r	661r	632	622
17 Life insurance companies	212,375	232,639	241,073	234,910	236,160	235,767	241,073	242,904
18 1- to 4-family	13,226	15,284	13,531	12,690	12,745	13,045	13,531	13,882
19 Multifamily	22,524	23,562	26,646	24,636	25,103	25,913	26,646	27,308
20 Commercial	166,722	184,124	191,369	188,073	188,756	187,208	191,369	192,244
21 Farm	9,903	9,669	9,527	9,511	9,556	9,601	9,527	9,471
22 Finance companies[4]	40,349	43,521	48,917	45,389	47,251	48,660r	48,917	50,184
23 Federal and related agencies	192,721	200,570	211,524	199,970r	201,909	206,674r	211,524	215,737
24 Government National Mortgage Association	444	26	23	26	24	24r	23	23
25 1- to 4-family	25	26	23	26	24	24r	23	23
26 Multifamily	419	0	0	0	0	0	0	0
27 Farmers Home Administration[5]	43,051	42,018	42,080	41,780	40,711	41,117	42,080	42,837
28 1- to 4-family	18,169	18,347	19,091	18,347	18,391	18,405	19,091	19,585
29 Multifamily	8,044	8,513	9,168	8,615	8,778	8,916	9,168	9,396
30 Commercial	6,603	5,343	4,463	5,101	3,885	4,366	4,463	4,553
31 Farm	10,235	9,815	9,358	9,717	9,657	9,430	9,358	9,303
32 Federal Housing and Veterans Administration	5,574	5,973	6,061	6,198r	6,424	6,023	6,061	6,215
33 1- to 4-family	2,557	2,672	2,850	2,673r	2,827	2,900	2,850	2,924
34 Multifamily	3,017	3,301	3,211	3,525	3,597	3,123	3,211	3,291
35 Federal National Mortgage Association	96,649	103,013	110,721	101,991	103,309	107,052	110,721	113,580
36 1- to 4-family	89,666	95,833	102,295	94,727	95,714	99,168	102,295	104,945
37 Multifamily	6,983	7,180	8,426	7,264	7,595	7,884	8,426	8,635
38 Federal Land Banks	34,131	32,115	30,788	31,261	31,467	30,943	30,788	30,667
39 1- to 4-family	2,008	1,890	1,889	1,839	1,851	1,821	1,889	1,938
40 Farm	32,123	30,225	28,899	29,422	29,616	29,122	28,899	28,729
41 Federal Home Loan Mortgage Corporation	12,872	17,425	21,852	18,714	19,974	21,515	21,852	22,415
42 1- to 4-family	11,430	15,077	18,249	16,192	17,305	18,493	18,249	18,722
43 Multifamily	1,442	2,348	3,603	2,522	2,669	3,022	3,603	3,693
44 Mortgage pools or trusts[6]	718,297	810,887	948,714	839,684	861,827	898,388	948,714	976,262
45 Government National Mortgage Association	317,555	340,527	374,650	348,622	353,154	361,291	374,650	385,343
46 1- to 4-family	309,806	331,257	362,865	337,563	341,951	349,830	362,865	373,265
47 Multifamily	7,749	9,270	11,785	11,059	11,203	11,461	11,785	12,078
48 Federal Home Loan Mortgage Corporation	212,634	226,406	272,870	234,695	242,789	256,896	272,870	280,932
49 1- to 4-family	205,977	219,988	266,060	228,389	236,404	250,123	266,060	273,953
50 Multifamily	6,657	6,418	6,810	6,306	6,385	6,773	6,810	6,979
51 Federal National Mortgage Association	139,960	178,250	228,232	188,071	196,501	208,894	228,232	235,136
52 1- to 4-family	137,988	172,331	219,577	181,352	188,774	200,302	219,577	226,265
53 Multifamily	1,972	5,919	8,655	6,719	7,727	8,592	8,655	8,870
54 Farmers Home Administration[5]	245	104	79	96	85	78	79	80
55 1- to 4-family	121	26	23	24	23	22	23	23
56 Multifamily	0	0	0	0	0	0	0	0
57 Commercial	63	38	22	34	26	22	22	23
58 Farm	61	40	34	38	36	34	34	34
59 Individuals and others[7]	402,064	425,382	468,026	429,634r	444,006r	454,930r	468,026	479,002
60 1- to 4-family	242,053	258,598	293,002	260,768	273,762r	283,472r	293,002	300,593
61 Multifamily	75,458	78,411	83,085	78,814	79,704r	80,851r	83,085	85,149
62 Commercial	63,192	67,489	71,229	69,295r	69,665r	69,736r	71,229	72,671
63 Farm	21,361	20,884	20,711	20,757	20,875	20,871	20,711	20,589

1. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not bank trust departments.
3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by FSLIC-insured institutions include loans in process and other contra assets (credit balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels).
4. Assumed to be entirely 1- to 4-family loans.
5. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:4, because of accounting changes by the Farmers Home Administration.
6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated. Includes private pools which are not shown as a separate line item.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars, amounts outstanding, end of period

Holder, and type of credit	1988	1989	1989				1990				
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.[r]	May
	Seasonally adjusted										
1 **Total**	**664,701**	**716,624**	**705,703**	**710,133**	**713,903**	**716,624**	**717,829**	**717,869**	**720,445**	**720,835**	**724,745**
2 Automobile	284,556	290,770	288,839	290,210	290,972	290,770	290,904	289,629	290,932	288,936	288,849
3 Revolving	174,057	197,110	190,378	191,734	194,679	197,110	199,146	199,927	202,263	203,965	207,104
4 Mobile home	25,201	22,343	22,661	22,621	22,197	22,343	22,604	22,633	22,708	22,702	23,027
5 Other	180,887	206,401	203,825	205,568	206,055	206,401	205,175	205,680	204,543	205,232	205,765
	Not seasonally adjusted										
6 **Total**	**674,719**	**727,561**	**708,370**	**711,295**	**715,145**	**727,561**	**721,026**	**717,062**	**713,138**	**715,801**	**720,304**
By major holder											
7 Commercial banks	324,792	343,865	332,502	335,657	337,285	343,865	342,266	339,418	334,645	337,576	339,631
8 Finance companies	146,212	140,832	146,296	143,293	142,802	140,832	140,740	139,115	137,857	138,174	138,384
9 Credit unions	88,340	90,875	91,285	91,291	90,965	90,875	90,452	90,127	89,556	89,689	89,869
10 Retailers[2]	48,302	42,638	37,400	37,045	37,906	42,638	39,959	37,904	37,302	37,207	37,347
11 Savings institutions	63,399	57,228	59,556	58,720	58,236	57,228	55,425	54,771	54,095	53,606	53,301
12 Gasoline companies	3,674	3,935	4,052	3,947	3,853	3,935	4,013	3,803	3,792	3,928	4,024
13 Pools of securitized assets[2]	n.a.	48,188	37,279	41,342	44,098	48,188	48,171	51,924	55,891	55,621	57,748
By major type of credit[3]											
14 Automobile	284,328	290,421	293,114	293,664	292,543	290,421	288,984	288,036	286,539	286,220	287,058
15 Commercial banks	123,392	126,613	126,972	128,213	128,111	126,613	127,075	127,149	126,289	126,483	126,997
16 Finance companies	97,245	82,721	90,217	86,655	85,725	82,721	81,918	80,227	79,523	79,295	78,927
17 Pools of securitized assets[2]	n.a.	18,191	11,785	15,024	15,376	18,191	17,827	18,931	19,563	19,406	20,151
18 Revolving	183,909	208,188	188,684	189,913	194,640	208,188	203,288	200,147	199,306	201,783	204,805
19 Commercial banks	123,020	130,956	119,413	120,484	122,728	130,956	128,384	124,821	122,024	124,039	125,386
20 Retailers	43,697	37,967	32,961	32,618	33,432	37,967	35,359	33,378	32,794	32,721	32,857
21 Gasoline companies	3,674	3,935	4,052	3,947	3,853	3,935	4,013	3,803	3,792	3,928	4,024
22 Pools of securitized assets[2]	n.a.	22,977	19,731	20,371	22,186	22,977	23,450	26,204	29,542	29,403	30,913
23 Mobile home	25,143	22,283	22,808	22,849	22,319	22,283	22,717	22,726	22,426	22,484	22,820
24 Commercial banks	9,025	9,155	9,121	9,130	9,144	9,155	9,109	9,162	9,142	9,231	9,505
25 Finance companies	7,191	4,716	5,106	5,205	4,682	4,716	5,411	5,410	5,178	5,168	5,224
26 Other	181,339	206,669	203,764	204,869	205,643	206,669	206,037	206,153	204,236	205,314	205,621
27 Commercial banks	69,355	77,141	76,996	77,830	77,302	77,141	77,698	78,286	77,190	77,823	77,743
28 Finance companies	41,776	53,395	50,973	51,433	52,395	53,395	53,411	53,478	53,156	53,711	54,233
29 Retailers	4,605	4,671	4,439	4,427	4,474	4,671	4,600	4,526	4,508	4,486	4,490
30 Pools of securitized assets[2]	n.a.	7,020	5,763	5,947	6,536	7,020	6,894	6,789	6,786	6,812	6,684

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.

These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

2. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent unless noted otherwise

Item	1987	1988	1989	1989		1990				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
INTEREST RATES										
Commercial banks[2]										
1 48-month new car[3]	10.45	10.85	12.07	11.94	n.a.	n.a.	11.80	n.a.	n.a.	11.82
2 24-month personal	14.22	14.68	15.44	15.42	n.a.	n.a.	15.27	n.a.	n.a.	15.41
3 120-month mobile home[3]	13.38	13.54	14.11	13.97	n.a.	n.a.	13.91	n.a.	n.a.	14.09
4 Credit card	17.92	17.78	18.02	18.07	n.a.	n.a.	18.12	n.a.	n.a.	18.14
Auto finance companies										
5 New car	10.73	12.60	12.62	13.27	13.27	12.64	12.67	12.31	12.21	12.23
6 Used car	14.60	15.11	16.18	16.09	16.10	15.77	15.91	15.97	16.02	16.03
OTHER TERMS[4]										
Maturity (months)										
7 New car	53.5	56.2	54.2	55.1	55.1	54.7	54.7	54.3	54.2	54.5
8 Used car	45.2	46.7	46.6	45.6	45.5	45.5	46.4	46.4	46.5	46.1
Loan-to-value ratio										
9 New car	93	94	91	89	89	89	88	88	87	87
10 Used car	98	98	97	96	96	95	96	95	96	96
Amount financed (dollars)										
11 New car	11,203	11,663	12,001	12,279	12,301	12,381	12,053	12,216	12,089	12,064
12 Used car	7,420	7,824	7,954	8,063	8,096	8,040	8,065	8,132	8,105	8,169

1. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.
2. Data for midmonth of quarter only.
3. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
4. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Transaction category, sector	1985	1986	1987	1988	1989	1988 Q3	1988 Q4	1989 Q1	1989 Q2	1989 Q3	1989 Q4	1990 Q1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**846.3**	**831.1**	**693.2**	**754.5**	**711.8**	**749.3**	**734.2**	**748.9**	**672.4**	**684.7**	**741.1**	**771.2**
By sector and instrument												
2 U.S. government	223.6	215.0	144.9	157.5	149.8	162.5	142.1	199.9	70.9	149.0	179.4	295.8
3 Treasury securities	223.7	214.7	143.4	140.0	150.0	141.6	100.5	201.1	65.8	149.1	184.0	266.2
4 Agency issues and mortgages	-.1	.4	1.5	17.4	-.2	20.9	41.6	-1.2	5.1	-.2	-4.6	29.6
5 Private domestic nonfinancial sectors	622.7	616.1	548.3	597.1	562.0	586.8	592.2	549.0	601.5	535.8	561.7	475.4
6 Debt capital instruments	451.4	460.3	458.5	454.6	412.4	458.8	432.4	412.0	429.0	400.2	408.2	364.5
7 Tax-exempt obligations	135.4	22.7	34.1	34.0	25.4	34.8	34.3	29.3	23.0	35.0	14.3	37.4
8 Corporate bonds	73.8	121.3	99.9	114.1	114.3	110.9	98.4	100.4	127.9	102.5	126.6	87.9
9 Mortgages	242.2	316.3	324.5	306.5	272.6	313.1	299.7	282.3	278.2	262.7	267.3	239.2
10 Home mortgages	156.8	218.7	234.9	231.0	214.9	230.9	214.0	205.6	217.7	207.7	228.7	190.6
11 Multifamily residential	29.8	33.5	24.4	16.7	14.4	19.4	17.3	18.3	16.0	14.7	8.5	19.7
12 Commercial	62.2	73.6	71.6	60.8	43.7	65.4	67.7	62.8	42.4	40.2	29.3	30.3
13 Farm	-6.6	-9.5	-6.4	-2.1	-.3	-2.6	.7	-4.4	2.2	.1	.8	-1.3
14 Other debt instruments	171.3	155.8	89.7	142.5	149.6	128.0	159.8	137.0	172.5	135.6	153.4	110.9
15 Consumer credit	82.5	58.0	32.9	51.1	39.1	35.5	73.1	22.5	42.2	30.5	61.1	3.4
16 Bank loans n.e.c.	38.6	66.7	10.8	38.4	45.5	7.3	66.6	15.6	35.1	60.1	71.2	-3.0
17 Open market paper	14.6	-9.3	2.3	11.6	20.8	17.1	20.0	41.4	39.2	16.7	-14.3	68.8
18 Other	35.6	40.5	43.8	41.5	44.3	68.0	.1	57.4	56.0	28.3	35.4	41.7
19 By borrowing sector	622.7	616.1	548.3	597.1	562.0	586.8	592.2	549.0	601.5	535.8	561.7	475.4
20 State and local governments	90.9	36.2	33.6	29.8	24.6	28.1	30.6	29.7	27.6	29.5	11.7	32.8
21 Households	284.6	289.2	271.9	289.8	277.6	291.4	283.5	243.7	260.9	282.7	323.3	223.6
22 Nonfinancial business	247.2	290.7	242.8	277.5	259.7	267.3	278.0	275.6	313.0	223.6	226.7	219.0
23 Farm	-14.5	-16.3	-10.6	-7.5	-.4	-2.2	-11.8	1.0	-3.0	-9.4	9.6	9.3
24 Nonfarm noncorporate	129.3	103.2	107.9	87.4	64.1	100.5	80.4	86.3	66.1	58.1	46.1	52.8
25 Corporate	132.4	203.7	145.5	197.5	196.0	169.0	209.4	188.2	249.9	174.9	171.0	156.8
26 Foreign net borrowing in United States	1.2	9.7	4.9	6.9	9.8	4.1	13.3	-2.3	.4	25.6	15.5	16.8
27 Bonds	3.8	3.1	7.4	6.9	4.9	5.9	5.1	3.2	10.7	8.4	-2.5	6.6
28 Bank loans n.e.c.	-2.8	-1.0	-3.6	-1.8	-.1	.0	-5.7	4.9	1.7	-1.2	-5.8	-2.5
29 Open market paper	6.2	11.5	2.1	9.6	12.3	10.3	21.0	10.2	-6.1	20.4	24.9	16.0
30 U.S. government loans	-6.0	-3.9	-1.0	-7.8	-7.4	-12.1	-7.1	-20.7	-5.9	-2.0	-1.1	-3.3
31 **Total domestic plus foreign**	**847.5**	**840.9**	**698.1**	**761.4**	**721.6**	**753.3**	**747.6**	**746.6**	**672.8**	**710.3**	**756.6**	**788.0**
	Financial sectors											
32 **Total net borrowing by financial sectors**	**201.3**	**318.9**	**315.0**	**246.5**	**210.8**	**216.3**	**302.5**	**387.2**	**117.0**	**132.9**	**205.9**	**189.9**
By instrument												
33 U.S. government related	101.5	187.9	185.8	119.8	155.8	128.6	156.7	205.7	101.4	129.7	186.3	151.9
34 Sponsored credit agency securities	20.6	15.2	30.2	44.9	25.2	46.5	62.3	84.9	12.5	10.0	-6.5	32.0
35 Mortgage pool securities	79.9	173.1	156.4	74.9	130.5	82.1	94.4	120.8	88.9	119.6	192.8	120.0
36 Loans from U.S. government	1.1	-.4	-.8	.0	.0	.0	.0	.0	.0	.0	.0	.0
37 Private financial sectors	99.7	131.0	129.2	126.7	55.0	87.7	145.8	181.5	15.6	3.3	19.6	38.0
38 Corporate bonds	50.9	82.9	78.9	51.7	37.0	32.5	43.0	54.0	31.4	24.9	37.7	37.1
39 Mortgages	.1	.1	.4	.3	.0	-.1	1.2	.3	.0	.3	-.6	-.4
40 Bank loans n.e.c.	2.6	4.0	-3.3	1.4	1.8	-5.6	-.3	3.0	.3	1.7	2.1	9.1
41 Open market paper	32.0	24.2	28.8	53.6	27.2	35.1	70.4	55.2	.9	20.0	32.8	1.7
42 Loans from Federal Home Loan Banks	14.2	19.8	24.4	19.7	-11.0	25.8	31.4	69.1	-16.9	-43.7	-52.4	-9.6
By sector												
43 **Total**	**201.3**	**318.9**	**315.0**	**246.5**	**210.8**	**216.3**	**302.5**	**387.2**	**117.0**	**132.9**	**205.9**	**189.9**
44 Sponsored credit agencies	21.7	14.9	29.5	44.9	25.2	46.5	62.3	84.9	12.5	10.0	-6.5	32.0
45 Mortgage pools	79.9	173.1	156.4	74.9	130.5	82.1	94.4	120.8	88.9	119.6	192.8	120.0
46 Private financial sectors	99.7	131.0	129.2	126.7	55.0	87.7	145.8	181.5	15.6	3.3	19.6	38.0
47 Commercial banks	-4.9	-3.6	7.1	-3.9	-1.4	-.9	3.7	-13.4	-.9	12.3	-3.5	4.4
48 Bank affiliates	16.6	15.2	14.3	5.2	6.2	6.1	.8	6.4	6.5	16.8	-4.9	-9.6
49 Savings and loan associations	17.3	20.9	19.6	19.9	-14.1	24.1	26.3	71.3	-16.2	-48.3	-63.3	-12.4
50 Mutual savings banks	1.5	4.2	8.1	1.9	-1.4	.5	3.8	-2.8	-1.1	-3.3	1.4	-.9
51 Finance companies	57.2	54.5	40.3	67.0	46.2	40.7	63.6	80.3	30.9	22.5	51.1	24.3
52 REITs	.5	1.0	.8	4.1	-1.2	-5.9	15.0	-.9	-2.2	-2.4	.5	-1.0
53 SCO Issuers	11.5	39.0	39.1	32.5	20.8	23.1	32.5	40.6	-1.4	5.7	38.2	33.3

1.57—Continued

Transaction category, sector	1985	1986	1987	1988	1989	1988 Q3	1988 Q4	1989 Q1	1989 Q2	1989 Q3	1989 Q4	1990 Q1
	All sectors											
54 **Total net borrowing**	**1,048.8**	**1,159.8**	**1,013.2**	**1,007.9**	**932.4**	**969.7**	**1,050.1**	**1,133.8**	**789.8**	**843.3**	**962.5**	**977.9**
55 U.S. government securities	324.2	403.4	331.5	277.2	305.6	291.1	298.8	405.6	172.3	278.6	365.7	447.7
56 State and local obligations	135.4	22.7	34.1	34.0	25.4	34.8	34.3	29.3	23.0	35.0	14.3	37.4
57 Corporate and foreign bonds	128.4	207.3	186.3	172.7	156.3	149.3	146.4	157.6	170.0	135.7	161.8	131.6
58 Mortgages	242.2	316.4	324.9	306.7	272.6	313.0	300.8	282.6	278.1	263.0	266.7	238.9
59 Consumer credit	82.5	58.0	32.9	51.1	39.1	35.5	73.1	22.5	42.2	30.5	61.1	3.4
60 Bank loans n.e.c.	38.3	69.7	3.8	38.0	47.2	1.7	60.7	23.6	37.1	60.6	67.5	3.7
61 Open market paper	52.8	26.4	33.2	74.9	60.3	62.5	111.5	106.8	34.0	57.1	43.4	86.5
62 Other loans	45.0	56.1	66.5	53.4	25.9	81.7	24.4	105.9	33.1	−17.3	−18.0	28.8
63 MEMO: U.S. government, cash balance	14.4	.0	−7.9	10.4	−5.9	10.6	−17.9	−22.5	43.7	−16.6	−28.2	27.3
Totals net of changes in U.S. government cash balances												
64 Net borrowing by domestic nonfinancial	831.9	831.2	701.1	744.2	717.7	738.6	752.2	771.4	628.7	701.4	769.3	743.9
65 Net borrowing by U.S. government	209.3	215.0	152.8	147.1	155.7	151.8	160.0	222.4	27.2	165.6	207.7	268.5
	External corporate equity funds raised in United States											
66 **Total net share issues**	**20.1**	**90.5**	**14.3**	**−117.9**	**−60.8**	**−73.5**	**−163.5**	**−162.9**	**−48.8**	**−41.0**	**9.3**	**−7.2**
67 Mutual funds	84.4	159.0	71.6	−.7	38.3	1.5	11.9	3.6	24.0	54.8	70.8	55.9
68 All other	−64.3	−68.5	−57.3	−117.2	−99.1	−75.0	−175.4	−166.5	−72.7	−95.8	−61.5	−63.1
69 Nonfinancial corporations	−81.5	−80.8	−76.5	−130.5	−130.8	−92.0	−195.0	−180.0	−105.0	−145.0	−93.0	−78.0
70 Financial corporations	13.5	11.1	21.4	12.4	14.0	14.6	13.5	10.0	17.3	14.2	14.6	16.5
71 Foreign shares purchased in United States	3.7	1.2	−2.1	.9	17.6	2.4	6.1	3.6	15.0	35.0	16.9	−1.7

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; quarterly data are at seasonally adjusted annual rates.

Transaction category, or sector	1985	1986	1987	1988	1989	1988 Q3	1988 Q4	1989 Q1	1989 Q2	1989 Q3	1989 Q4	1990 Q1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**846.3**	**831.1**	**693.2**	**754.5**	**711.8**	**749.3**	**734.2**	**748.9**	**672.4**	**684.7**	**741.1**	**771.2**
By public agencies and foreign												
2 Total net advances	202.0	314.0	262.8	215.5	193.8	181.2	255.8	310.8	−2.4	220.4	246.3	132.2
3 U.S. government securities	45.9	69.4	70.1	85.0	30.1	24.1	119.6	77.6	−105.9	116.5	32.3	−25.7
4 Residential mortgages	94.6	170.1	153.2	86.3	144.2	82.4	105.5	123.4	101.7	139.3	212.3	137.6
5 FHLB advances to thrifts	14.2	19.8	24.4	19.7	−11.0	25.8	31.4	69.1	−16.9	−43.7	−52.4	−9.6
6 Other loans and securities	47.3	54.7	15.1	24.4	30.4	49.0	−.7	40.7	18.7	8.3	54.1	29.8
Total advanced, by sector												
7 U.S. government	17.8	9.7	−7.9	−9.4	−1.4	4.3	−27.1	−1.1	−3.9	−12.2	11.5	8.8
8 Sponsored credit agencies	103.5	187.2	183.4	112.0	130.1	114.4	152.8	194.3	8.0	132.1	186.2	137.4
9 Monetary authorities	18.4	19.4	24.7	10.5	−7.3	15.5	18.9	5.2	−3.9	−30.7	.1	−7.7
10 Foreign	62.3	97.8	62.7	102.3	72.4	47.0	111.2	112.5	−2.6	131.1	48.5	−6.4
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	101.5	187.9	185.8	119.8	155.8	128.6	156.7	205.7	101.4	129.7	186.3	151.9
12 Foreign	1.2	9.7	4.9	6.9	9.8	4.1	13.3	−2.3	.4	25.6	15.5	16.8
Private domestic funds advanced												
13 Total net advances	747.0	714.8	621.1	665.8	683.6	700.8	648.5	641.4	776.7	619.7	696.6	807.7
14 U.S. government securities	278.2	333.9	261.4	192.2	275.4	267.0	179.3	328.0	278.2	162.2	333.4	473.4
15 State and local obligations	135.4	22.7	34.1	34.0	25.4	34.8	34.3	29.3	23.0	35.0	14.3	37.4
16 Corporate and foreign bonds	40.8	84.2	87.5	97.6	103.7	86.8	66.5	80.9	129.0	107.2	97.9	80.8
17 Residential mortgages	91.8	82.0	106.1	161.3	85.1	167.9	125.8	100.5	131.9	83.1	24.9	72.7
18 Other mortgages and loans	214.8	211.8	156.5	200.3	182.9	170.0	274.0	171.8	197.6	188.5	173.8	133.8
19 Less: Federal Home Loan Bank advances	14.2	19.8	24.4	19.7	−11.0	25.8	31.4	69.1	−16.9	−43.7	−52.4	−9.6
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	579.9	744.0	560.8	561.2	514.2	429.1	634.9	564.9	523.3	323.4	645.3	611.1
21 Commercial banking	186.0	197.5	136.8	155.3	177.1	118.4	220.5	120.6	158.6	166.6	262.5	169.9
22 Savings institutions	87.9	107.6	136.8	120.4	−92.9	156.9	94.0	34.3	−73.2	−135.9	−197.1	−63.7
23 Insurance and pension funds	154.4	174.6	210.9	198.0	183.1	152.2	190.1	257.1	162.1	122.8	190.5	196.4
24 Other finance	151.6	264.2	76.3	87.4	247.0	1.7	130.3	152.9	275.8	169.8	389.4	308.5
25 Sources of funds	579.9	744.0	560.8	561.2	514.2	429.1	634.9	564.9	523.3	323.4	645.3	611.1
26 Private domestic deposits and RPs	214.3	262.6	144.1	219.9	207.7	191.3	277.9	128.4	174.2	255.4	273.0	196.6
27 Credit market borrowing	99.7	131.0	129.2	126.7	55.0	87.7	145.8	181.5	15.6	3.3	19.6	38.0
28 Other sources	265.9	350.4	287.5	214.6	251.5	150.1	211.2	255.0	333.5	64.7	352.8	376.5
29 Foreign funds	19.7	12.9	43.7	9.3	−11.6	−41.5	45.2	−28.6	−19.4	22.7	−21.3	5.1
30 Treasury balances	10.3	1.7	−5.8	7.3	−3.4	5.6	−4.1	−21.6	26.6	−15.0	−3.6	15.9
31 Insurance and pension reserves	131.9	149.3	176.1	177.6	153.6	87.3	253.9	187.9	125.1	37.9	263.6	103.3
32 Other, net	104.1	186.5	73.6	20.4	112.9	98.8	−83.7	117.3	201.1	19.1	114.1	252.3
Private domestic nonfinancial investors												
33 Direct lending in credit markets	266.8	101.8	189.6	231.3	224.4	359.3	159.4	258.0	269.0	299.6	70.9	234.6
34 U.S. government securities	157.8	60.9	100.0	131.8	150.0	209.3	140.5	213.2	128.3	179.2	79.4	199.3
35 State and local obligations	37.7	−21.7	45.6	33.9	15.8	56.0	22.1	35.8	−9.1	35.8	.9	−1.3
36 Corporate and foreign bonds	4.2	39.3	24.1	−4.1	24.3	−6.1	−29.4	−33.0	70.8	10.6	48.6	−4.6
37 Open market paper	47.5	5.4	6.6	37.2	4.5	75.6	−1.3	44.9	18.9	53.5	−99.3	25.3
38 Other	19.6	17.9	13.3	32.6	29.8	24.5	27.4	−2.8	60.1	20.4	41.3	15.9
39 Deposits and currency	224.6	283.0	160.2	222.5	226.9	215.1	248.7	173.6	213.6	232.9	287.5	228.3
40 Currency	12.4	14.4	19.0	14.7	11.7	29.3	5.1	19.3	12.6	9.1	5.7	25.7
41 Checkable deposits	41.9	95.0	−3.0	12.4	.6	−22.3	97.8	−54.1	−93.2	−3.5	153.1	−23.9
42 Small time and savings accounts	138.5	120.6	76.0	122.8	100.5	73.1	86.1	19.9	111.2	130.0	140.8	132.3
43 Money market fund shares	8.9	38.3	27.2	22.8	84.8	−3.5	58.1	51.1	111.8	124.3	51.9	85.8
44 Large time deposits	7.4	−11.4	26.7	40.7	20.9	136.9	12.6	97.9	29.9	10.7	−55.0	5.6
45 Security RPs	17.7	20.2	17.2	21.2	1.1	7.0	23.3	13.6	14.5	−6.0	−17.8	−3.2
46 Deposits in foreign countries	−2.1	5.9	−2.8	−12.1	7.5	−5.5	−34.4	25.9	26.8	−31.6	8.8	6.0
47 **Total of credit market instruments, deposits, and currency**	**491.4**	**384.8**	**349.8**	**453.8**	**451.3**	**574.4**	**408.1**	**431.6**	**482.6**	**532.5**	**358.4**	**462.9**
48 Public holdings as percent of total	23.8	37.3	37.6	28.3	26.9	24.1	34.2	41.6	−.4	31.0	32.6	16.8
49 Private financial intermediation (in percent)	77.6	104.1	90.3	84.3	75.2	61.2	97.9	88.1	67.4	52.2	92.6	75.7
50 Total foreign funds	82.0	110.7	106.4	111.6	60.8	5.4	156.4	83.9	−22.0	153.9	27.2	−1.2
Memo: Corporate equities not included above												
51 **Total net issues**	**20.1**	**90.5**	**14.3**	**−117.9**	**−60.8**	**−73.5**	**−163.5**	**−162.9**	**−48.8**	**−41.0**	**9.3**	**−7.2**
52 Mutual fund shares	84.4	159.0	71.6	−.7	38.3	1.5	11.9	3.6	24.0	54.8	70.8	55.9
53 Other equities	−64.3	−68.5	−57.3	−117.2	−99.1	−75.0	−175.4	−166.5	−72.7	−95.8	−61.5	−63.1
54 Acquisitions by financial institutions	45.6	53.7	21.4	.5	5.2	13.2	20.9	−1.1	−11.6	−11.8	45.3	52.8
55 Other net purchases	−25.5	36.8	−7.1	−118.4	−66.0	−86.7	−184.4	−161.8	−37.1	−29.2	−36.0	−60.0

Notes by line number.
1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

Note. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING

Billions of dollars; period-end levels.

Transaction category, sector	1985	1986	1987	1988	1988		1989				1990
					Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**6,795.1**	**7,631.2**	**8,335.0**	**9,080.8**	**8,856.6**	**9,080.8**	**9,240.7**	**9,415.1**	**9,591.5**	**9,806.5**	**9,987.4**
By sector and instrument											
2 U.S. government	1,600.4	1,815.4	1,960.3	2,117.8	2,063.9	2,117.8	2,155.7	2,165.7	2,204.3	2,267.6	2,359.1
3 Treasury securities	1,597.1	1,811.7	1,955.2	2,095.2	2,051.7	2,095.2	2,133.4	2,142.1	2,180.7	2,245.2	2,329.3
4 Agency issues and mortgages	3.3	3.6	5.2	22.6	12.2	22.6	22.3	23.6	23.5	22.4	29.8
5 Private domestic nonfinancial sectors	5,194.7	5,815.8	6,374.7	6,963.1	6,792.7	6,963.1	7,084.9	7,249.4	7,387.2	7,539.0	7,628.4
6 Debt capital instruments	3,485.5	3,957.5	4,428.0	4,881.8	4,763.3	4,881.8	4,971.9	5,079.8	5,186.1	5,294.2	5,372.1
7 Tax-exempt obligations	655.5	679.1	713.2	759.8	746.1	759.8	764.7	769.9	781.5	785.2	792.1
8 Corporate bonds	542.9	664.2	764.1	878.2	853.6	878.2	903.3	935.3	960.9	992.5	1,014.5
9 Mortgages	2,287.1	2,614.2	2,950.7	3,243.8	3,163.6	3,243.8	3,303.9	3,374.6	3,443.7	3,516.4	3,565.6
10 Home mortgages	1,490.2	1,720.8	1,943.1	2,173.9	2,117.8	2,173.9	2,215.1	2,271.5	2,328.9	2,388.9	2,426.0
11 Multifamily residential	213.0	246.2	270.0	286.7	281.0	286.7	290.4	294.2	297.5	301.1	305.0
12 Commercial	478.1	551.4	648.7	696.4	677.9	696.4	712.5	722.2	730.8	740.0	748.2
13 Farm	105.9	95.8	88.9	86.8	87.0	86.8	86.0	86.7	86.6	86.5	86.4
14 Other debt instruments	1,709.3	1,858.4	1,946.7	2,081.3	2,029.4	2,081.3	2,113.0	2,169.7	2,201.1	2,244.8	2,256.3
15 Consumer credit	601.8	659.8	692.7	743.7	721.2	743.7	741.7	756.7	771.0	790.6	775.4
16 Bank loans n.e.c.	592.7	656.1	664.3	702.6	687.7	702.6	715.9	729.4	743.6	758.3	757.4
17 Open market paper	72.2	62.9	73.8	85.4	80.3	85.4	96.1	110.1	113.3	107.1	123.7
18 Other	442.6	479.6	516.0	549.5	540.2	549.5	559.4	573.5	573.2	588.8	599.8
19 By borrowing sector	5,194.7	5,815.8	6,374.7	6,963.1	6,792.7	6,963.1	7,084.9	7,249.4	7,387.2	7,539.0	7,628.4
20 State and local governments	473.9	510.1	543.7	573.5	565.7	573.5	578.5	584.8	595.1	598.1	603.8
21 Households	2,295.5	2,591.8	2,864.5	3,151.7	3,068.0	3,151.7	3,200.8	3,269.3	3,348.2	3,442.3	3,472.5
22 Nonfinancial business	2,425.4	2,714.0	2,966.5	3,237.9	3,159.0	3,237.9	3,305.6	3,395.3	3,443.9	3,498.6	3,552.0
23 Farm	173.4	156.6	145.5	137.6	143.6	137.6	136.7	139.4	137.7	137.1	138.3
24 Nonfarm noncorporate	898.3	1,001.6	1,109.4	1,200.9	1,172.6	1,200.9	1,223.5	1,239.3	1,249.1	1,265.0	1,279.2
25 Corporate	1,353.6	1,555.8	1,711.6	1,899.4	1,842.9	1,899.4	1,945.5	2,016.6	2,057.2	2,096.4	2,134.5
26 Foreign credit market debt held in United States	234.7	236.4	242.9	249.8	246.1	249.8	249.5	249.7	255.2	259.4	264.1
27 Bonds	71.8	74.9	82.3	89.2	87.4	89.2	90.5	92.1	94.2	94.2	96.4
28 Bank loans n.e.c.	27.9	26.9	23.3	21.5	22.7	21.5	21.6	22.7	22.6	21.4	19.6
29 Open market paper	33.9	37.4	41.2	50.9	46.3	50.9	54.4	52.7	57.5	63.0	68.2
30 U.S. government loans	101.1	97.1	96.1	88.3	89.8	88.3	83.0	82.2	80.9	80.9	79.9
31 **Total domestic plus foreign**	**7,029.9**	**7,867.6**	**8,578.0**	**9,330.7**	**9,102.8**	**9,330.7**	**9,490.1**	**9,664.8**	**9,846.7**	**10,066.0**	**10,251.5**
	Financial sectors										
32 **Total credit market debt owed by financial sectors**	**1,213.2**	**1,563.6**	**1,885.5**	**2,084.1**	**1,996.5**	**2,084.1**	**2,191.3**	**2,229.9**	**2,262.8**	**2,327.3**	**2,351.4**
By instrument											
33 U.S. government related	632.7	844.2	1,026.5	1,098.4	1,054.6	1,098.4	1,140.8	1,166.5	1,202.6	1,254.1	1,282.5
34 Sponsored credit agency securities	257.8	273.0	303.2	348.1	328.5	348.1	364.3	369.0	370.4	373.3	376.0
35 Mortgage pool securities	368.9	565.4	718.3	745.3	721.1	745.3	771.5	792.5	827.2	875.8	901.5
36 Loans from U.S. government	6.1	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
37 Private financial sectors	580.5	719.5	859.0	985.7	941.9	985.7	1,050.5	1,063.5	1,060.2	1,073.2	1,068.9
38 Corporate bonds	204.5	287.4	366.3	418.0	406.4	418.0	458.6	466.1	472.7	483.0	491.3
39 Mortgages	2.7	2.7	3.1	3.4	3.1	3.4	3.5	3.5	3.5	3.4	3.3
40 Bank loans n.e.c.	32.1	36.1	32.8	34.2	32.9	34.2	32.2	33.8	34.1	36.0	35.4
41 Open market paper	252.4	284.6	323.8	377.4	358.0	377.4	392.5	398.3	398.8	409.1	406.1
42 Loans from Federal Home Loan Banks	88.8	108.6	133.1	152.8	141.6	152.8	163.8	161.9	151.1	141.8	132.9
43 **Total, by sector**	**1,213.2**	**1,563.6**	**1,885.5**	**2,084.1**	**1,996.5**	**2,084.1**	**2,191.3**	**2,229.9**	**2,262.8**	**2,327.3**	**2,351.4**
44 Sponsored credit agencies	263.9	278.7	308.2	353.1	333.5	353.1	369.3	374.0	375.4	378.3	381.0
45 Mortgage pools	368.9	565.4	718.3	745.3	721.1	745.3	771.5	792.5	827.2	875.8	901.5
46 Private financial sectors	580.5	719.5	859.0	985.7	941.9	985.7	1,050.5	1,063.5	1,060.2	1,073.2	1,068.9
47 Commercial banks	79.2	75.6	82.7	78.8	76.6	78.8	73.3	74.5	77.0	77.4	76.4
48 Bank affiliates	106.2	116.8	131.1	136.2	136.3	136.2	140.0	141.2	144.0	142.4	142.3
49 Savings and loan associations	98.9	119.8	139.4	159.3	148.1	159.3	170.1	167.9	155.7	145.2	134.7
50 Mutual savings banks	4.4	8.6	16.7	18.6	18.1	18.6	17.8	17.7	17.5	17.2	16.9
51 Finance companies	261.2	328.1	378.8	445.8	427.7	445.8	464.3	478.0	481.2	496.5	496.1
52 REITs	5.6	6.5	7.3	11.4	7.6	11.4	11.1	10.6	10.0	10.1	9.9
53 SCO issuers	25.0	64.0	103.1	135.7	127.5	135.7	173.8	173.5	174.9	184.4	192.8
	All sectors										
54 **Total credit market debt**	**8,243.1**	**9,431.2**	**10,463.4**	**11,414.8**	**11,099.3**	**11,414.8**	**11,681.5**	**11,894.8**	**12,109.5**	**12,393.3**	**12,602.9**
55 U.S. government securities	2,227.0	2,653.8	2,981.8	3,211.1	3,113.5	3,211.1	3,291.5	3,327.2	3,401.8	3,516.7	3,636.5
56 State and local obligations	655.5	679.1	713.2	759.8	746.1	759.8	764.7	769.9	781.5	785.2	792.1
57 Corporate and foreign bonds	819.2	1,026.4	1,212.7	1,385.4	1,347.4	1,385.4	1,452.3	1,493.5	1,527.8	1,569.6	1,602.2
58 Mortgages	2,289.8	2,617.0	2,953.8	3,247.2	3,166.7	3,247.2	3,307.4	3,378.1	3,447.3	3,519.8	3,568.9
59 Consumer credit	601.8	659.8	692.7	743.7	721.2	743.7	741.7	756.7	771.0	790.6	775.4
60 Bank loans n.e.c.	652.7	719.1	720.3	758.3	743.3	758.3	769.7	785.8	800.3	815.6	812.4
61 Open market paper	358.5	384.9	438.8	513.6	484.6	513.6	543.1	561.1	569.6	579.2	598.0
62 Other loans	638.6	691.1	750.2	795.6	776.5	795.6	811.1	822.6	810.2	816.5	817.5

1.60 SUMMARY OF CREDIT MARKET CLAIMS, BY HOLDER

Billions of dollars, except as noted; period-end levels.

Transaction category, or sector	1985	1986	1987	1988	1988		1989				1990
					Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**6,795.1**	**7,631.2**	**8,335.0**	**9,080.8**	**8,856.6**	**9,080.8**	**9,240.7**	**9,415.1**	**9,591.5**	**9,806.5**	**9,987.4**
By public agencies and foreign											
2 Total held	1,460.5	1,794.7	2,044.9	2,196.5	2,130.2	2,196.5	2,252.4	2,258.2	2,315.7	2,385.3	2,400.4
3 U.S. government securities	423.8	493.2	563.3	648.3	613.3	648.3	661.2	638.7	664.7	678.5	665.0
4 Residential mortgages	518.2	712.3	862.0	900.4	873.3	900.4	927.2	951.2	990.9	1,044.6	1,074.6
5 FHLB advances to thrifts	88.8	108.6	133.1	152.8	141.6	152.8	163.8	161.9	151.1	141.8	132.9
6 Other loans and securities	429.7	480.5	486.6	495.0	502.1	495.0	500.3	506.4	509.0	520.5	527.9
7 Total held, by type of lender	1,460.5	1,794.7	2,044.9	2,196.5	2,130.2	2,196.5	2,252.4	2,258.2	2,315.7	2,385.3	2,400.4
8 U.S. government	246.7	253.3	238.0	212.7	226.3	212.7	208.3	207.9	205.3	206.3	209.5
9 Sponsored credit agencies and mortgage pools	659.8	869.8	1,048.9	1,113.0	1,071.2	1,113.0	1,151.1	1,154.6	1,192.6	1,243.1	1,266.4
10 Monetary authority	186.0	205.5	230.1	240.6	230.8	240.6	235.4	238.4	227.6	233.3	224.4
11 Foreign	367.9	466.1	527.9	630.3	601.9	630.3	657.6	657.3	690.1	702.7	700.1
Agency and foreign debt not in line 1											
12 Sponsored credit agencies and mortgage pools	632.7	844.2	1,026.5	1,098.4	1,054.6	1,098.4	1,140.8	1,166.5	1,202.6	1,254.1	1,282.5
13 Foreign	234.7	236.4	242.9	249.8	246.1	249.8	249.5	249.7	255.2	259.4	264.1
Private domestic holdings											
14 Total private holdings	6,202.1	6,917.1	7,559.5	8,232.5	8,027.2	8,232.5	8,378.5	8,573.1	8,733.6	8,934.8	9,133.6
15 U.S. government securities	1,803.2	2,160.6	2,418.5	2,562.8	2,500.3	2,562.8	2,630.3	2,688.5	2,737.2	2,838.3	2,971.6
16 State and local obligations	655.5	679.1	713.2	759.8	746.1	759.8	764.7	769.9	781.5	785.2	792.1
17 Corporate and foreign bonds	517.6	601.3	689.6	787.2	770.6	787.2	808.7	839.6	866.3	891.0	912.7
18 Residential mortgages	1,185.1	1,254.7	1,351.1	1,560.2	1,525.5	1,560.2	1,578.3	1,614.5	1,635.5	1,645.4	1,656.4
19 Other mortgages and loans	2,129.7	2,330.0	2,520.1	2,715.2	2,626.3	2,715.2	2,760.2	2,822.5	2,864.2	2,916.8	2,933.7
20 LESS: Federal Home Loan Bank advances	88.8	108.6	133.1	152.8	141.6	152.8	163.8	161.9	151.1	141.8	132.9
Private financial intermediation											
21 Credit market claims held by private financial institutions	5,283.1	6,025.7	6,604.6	7,167.5	7,002.7	7,167.5	7,306.9	7,461.0	7,546.1	7,703.9	7,833.1
22 Commercial banking	1,978.9	2,176.3	2,313.1	2,468.4	2,421.6	2,468.4	2,490.9	2,538.2	2,588.6	2,645.5	2,680.9
23 Savings institutions	1,191.2	1,297.9	1,445.5	1,567.7	1,535.2	1,567.7	1,565.5	1,556.1	1,526.2	1,478.7	1,446.9
24 Insurance and pension funds	1,369.7	1,544.3	1,755.2	1,953.3	1,901.9	1,953.3	2,007.0	2,050.9	2,085.2	2,136.4	2,173.8
25 Other finance	743.4	1,007.1	1,090.7	1,178.1	1,144.0	1,178.1	1,243.5	1,315.7	1,346.1	1,443.4	1,531.5
26 Sources of funds	5,283.1	6,025.7	6,604.6	7,167.5	7,002.7	7,167.5	7,306.9	7,461.0	7,546.1	7,703.9	7,833.1
27 Private domestic deposits and RPs	2,930.0	3,188.4	3,324.8	3,560.2	3,480.0	3,560.2	3,584.1	3,631.0	3,690.3	3,767.8	3,808.0
28 Credit market debt	580.5	719.5	859.0	985.7	941.9	985.7	1,050.5	1,063.5	1,060.2	1,073.2	1,068.9
29 Other sources	1,772.7	2,117.9	2,420.8	2,621.5	2,580.7	2,621.5	2,672.3	2,766.5	2,795.6	2,862.9	2,956.1
30 Foreign funds	5.6	18.6	62.2	71.5	52.0	71.5	61.8	50.0	55.7	59.9	57.9
31 Treasury balances	25.8	27.5	21.6	29.0	34.2	29.0	13.5	34.4	30.3	25.6	18.5
32 Insurance and pension reserves	1,289.4	1,427.9	1,597.2	1,761.8	1,722.3	1,761.8	1,811.2	1,844.9	1,863.9	1,909.2	1,943.5
33 Other, net	451.8	643.9	739.6	759.2	772.4	759.2	785.7	837.2	845.6	868.3	936.2
Private domestic nonfinancial investors											
34 Credit market claims	1,499.5	1,610.8	1,813.9	2,050.7	1,966.4	2,050.7	2,122.1	2,175.6	2,247.8	2,304.1	2,369.5
35 U.S. government securities	814.7	899.1	992.0	1,077.8	1,022.3	1,077.8	1,109.8	1,132.3	1,186.1	1,227.8	1,285.8
36 Tax-exempt obligations	231.9	211.2	256.8	303.7	289.0	303.7	307.2	308.8	316.3	319.5	313.2
37 Corporate and foreign bonds	38.0	77.8	102.2	93.9	106.1	93.9	125.7	135.4	141.0	147.5	158.3
38 Open market paper	131.0	136.4	160.7	200.9	185.8	200.9	208.0	218.0	221.4	210.6	206.5
39 Other	283.8	286.2	302.3	374.5	363.2	374.5	371.3	381.0	383.0	398.6	405.7
40 Deposits and currency	3,120.4	3,399.2	3,553.9	3,791.9	3,710.3	3,791.9	3,819.2	3,879.9	3,927.8	4,018.6	4,058.2
41 Currency	171.9	186.3	205.4	220.1	213.4	220.1	220.7	226.4	224.4	231.8	233.8
42 Checkable deposits	422.5	517.4	514.0	525.3	495.9	525.3	492.8	494.0	485.0	525.9	500.9
43 Small time and savings accounts	1,831.9	1,948.3	2,017.1	2,156.5	2,137.3	2,156.5	2,168.9	2,189.3	2,224.4	2,256.7	2,297.5
44 Money market fund shares	227.3	265.6	292.8	315.6	303.6	315.6	340.3	359.9	389.2	400.4	434.0
45 Large time deposits	339.9	328.5	355.2	395.9	384.7	395.9	412.5	417.2	421.8	416.9	409.2
46 Security RPs	108.3	128.5	145.7	166.9	158.6	166.9	169.6	170.7	169.8	167.9	166.5
47 Deposits in foreign countries	18.5	24.5	23.7	11.6	16.8	11.6	14.4	22.5	13.1	19.1	16.4
48 **Total of credit market instruments, deposits, and currency**	**4,619.9**	**5,010.0**	**5,367.8**	**5,842.6**	**5,676.7**	**5,842.6**	**5,941.3**	**6,055.5**	**6,175.6**	**6,322.7**	**6,427.7**
49 Public holdings as percent of total	20.8	22.8	23.8	23.5	23.4	23.5	23.7	23.4	23.5	23.7	23.4
50 Private financial intermediation (in percent)	85.2	87.1	87.4	87.1	87.2	87.1	87.2	87.0	86.4	86.2	85.8
51 Total foreign funds	373.5	484.7	590.2	701.8	653.8	701.8	719.4	707.3	745.9	762.6	758.0
MEMO: Corporate equities not included above											
52 **Total market value**	**2,823.9**	**3,360.6**	**3,325.0**	**3,620.3**	**3,577.6**	**3,620.3**	**3,731.8**	**4,072.4**	**4,398.9**	**4,382.4**	**4,335.2**
53 Mutual fund shares	240.2	413.5	460.1	478.3	478.1	478.3	486.3	514.8	539.7	551.9	548.5
54 Other equities	2,583.7	2,947.1	2,864.9	3,142.0	3,099.5	3,142.0	3,245.4	3,557.7	3,859.2	3,830.6	3,786.6
55 Holdings by financial institutions	800.0	972.1	1,013.8	1,186.1	1,160.0	1,186.1	1,253.4	1,366.3	1,500.5	1,505.0	1,476.4
56 Other holdings	2,023.9	2,388.4	2,311.2	2,434.2	2,417.6	2,434.2	2,478.4	2,706.2	2,898.4	2,877.4	2,858.7

NOTES BY LINE NUMBER.
1. Line 1 of table 1.59.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
12. Credit market debt of federally sponsored agencies, and net issues of federally related mortgage pool securities.
14. Line 1 less line 2 plus line 12 and 13. Also line 21 less line 28 plus line 34. Also sum of lines 29 and 48 less lines 41 and 47.
19. Includes farm and commercial mortgages.
27. Line 40 less lines 41 and 47.
28. Excludes equity issues and investment company shares. Includes line 20.
30. Foreign deposits at commercial banks plus bank borrowings from foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
31. Demand deposits and note balances at commercial banks.
32. Excludes net investment of these reserves in corporate equities.
33. Mainly retained earnings and net miscellaneous liabilities.
34. Line 14 less line 21 plus line 28.
35–39. Lines 15–19 less amounts acquired by private finance plus amounts borrowed by private finance. Line 39 includes mortgages.
41. Mainly an offset to line 10.
48. Lines 34 plus 40, or line 14 less line 29 plus 41 and 47.
49. Line 2/line 1 and 13.
50. Line 21/line 14.
51. Sum of lines 11 and 30.
52–54. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Stop 95, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1987	1988	1989	1989			1990					
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
1 **Industrial production (1987 = 100)**	**100.0**	**105.4**	**108.1**	**107.7**	**108.1**	**108.6**	**107.5**	**108.5**	**108.9[r]**	**108.7[r]**	**109.3**	**109.8**
Market groupings												
2 Products, total (1987 = 100)	100.0	105.3	108.6	108.1	108.9	109.7	108.4	109.4	110.1[r]	109.6[r]	110.4	111.0
3 Final, total (1987 = 100)	100.0	105.6	109.1	108.5	109.4	110.3	108.5	109.7	110.7[r]	110.2[r]	111.2	112.0
4 Consumer goods (1987 = 100)	100.0	104.0	106.7	107.3	107.4	108.3	106.0	107.0	107.5[r]	106.9[r]	107.5	108.2
5 Equipment (1987 = 100)	100.0	107.6	112.3	110.1	112.0	112.9	111.8	113.3	114.9	114.5[r]	116.1	116.9
6 Intermediate (1987 = 100)	100.0	104.4	106.8	106.9	107.3	107.9	108.0	108.4	108.2[r]	107.8[r]	108.0	108.0
7 Materials (1987 = 100)	100.0	105.6	107.4	107.1	107.0	106.9	106.2	107.1	107.1[r]	107.2[r]	107.6	107.8
Industry groupings												
8 Manufacturing (1987 = 100)	100.0	105.8	108.9	108.4	108.9	108.8	108.1	109.6	109.8[r]	109.3[r]	110.2	110.7
Capacity utilization (percent)[2]												
9 Manufacturing	81.4	83.9	83.9	82.9	83.0	82.8	82.0	83.0	82.9	82.3[r]	82.7	82.9
10 Construction contracts (1982 = 100)[3]	164.8	166.4	170.8[r]	180.0	167.0	166.0	158.0	154.0	157.0	147.0	155.0	153.0
11 Nonagricultural employment, total[4]	123.9	128.0	131.6	132.4	132.7	132.9	133.3	133.8	133.9	133.9	134.3	134.4
12 Goods-producing, total	101.5	103.7	105.3	105.2	105.2	104.9	104.8	105.5	105.2	104.7	104.5	104.3
13 Manufacturing, total	96.7	98.6	99.6	99.2	99.1	99.0	98.3	98.8	98.7	98.6	98.4	98.3
14 Manufacturing, production- worker	91.9	93.9	94.8	94.1	93.9	93.8	92.8	93.5	93.3	93.3	93.1	93.0
15 Service-producing	133.3	138.2	142.7	143.8	144.2	144.6	145.2	145.6	145.9	146.1	146.8	146.9
16 Personal income, total	235.0	252.8	275.4	280.0	282.5	283.9	286.4	288.5	290.8	291.6	292.4	n.a.
17 Wages and salary disbursements	226.3	244.4	264.7	271.0	271.1	272.9	274.1	276.5	278.1	279.7	280.8	n.a.
18 Manufacturing	183.8	196.5	207.3	211.1	209.1	209.2	208.1	210.3	212.1	211.4	213.6	n.a.
19 Disposable personal income[5]	213.6	228.0	240.7	278.4	281.2	282.4	285.4	287.4	289.9	290.3	290.9	n.a.
20 Retail sales[6]	113.6	118.3	124.0	241.9	243.7	242.8	249.6	249.7	248.7	246.3[r]	244.9	246.2
Prices[7]												
21 Consumer (1982–84 = 100)	113.6	118.3	124.0	125.6	125.9	126.1	127.4	128.0	128.7	128.9	129.2	129.9
22 Producer finished goods (1982 = 100)	105.4	108.0	113.6	114.9	114.9	115.4	117.6	117.4	117.0	117.0	117.7	117.9

1. A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Industrial Production: 1989 Developments and Historical Revision" in the *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204. The revised indexes for January through June 1985 were shown in the September *Bulletin*.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on Bureau of Census data published in *Survey of Current Business*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1987	1988	1989	1989		1990					
				Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.	May	June
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**185,010**	**186,837**	**188,601**	**189,238**	**189,381**	**189,506**	**189,607**	**189,717**	**189,844**	**189,983**	**190,122**
2 Labor force (including Armed Forces)[1]	122,122	123,893	126,077	126,709	126,762	126,610	126,825	127,017	127,061	127,159	126,981
3 Civilian labor force	119,865	121,669	123,869	124,488	124,546	124,397	124,630	124,829	124,886	125,004	124,836
Employment											
4 Nonagricultural industries[2]	109,232	111,800	114,142	114,676	114,691	114,728	114,957	115,133	114,983	115,045	115,041
5 Agriculture	3,208	3,169	3,199	3,160	3,197	3,134	3,079	3,200	3,133	3,305	3,348
Unemployment											
6 Number	7,425	6,701	6,528	6,652	6,658	6,535	6,594	6,495	6,770	6,653	6,447
7 Rate (percent of civilian labor force)	6.2	5.5	5.3	5.3	5.3	5.3	5.3	5.2	5.4	5.3	5.2
8 Not in labor force	62,888	62,944	62,524	62,529	62,619	62,896	62,782	62,700	62,783	62,824	63,141
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**102,200**	**105,584**	**108,573**	**109,452**	**109,570**	**109,931**	**110,304**	**110,427**	**110,401**[r]	**110,757**	**110,797**
10 Manufacturing	19,024	19,403	19,611	19,517	19,489	19,355	19,452	19,423	19,403[r]	19,376	19,345
11 Mining	717	721	722	737	739	745	749	751	755	758	760
12 Contract construction	4,967	5,125	5,302	5,355	5,304	5,418	5,485	5,432	5,323[r]	5,306	5,292
13 Transportation and public utilities	5,372	5,548	5,703	5,753	5,834	5,850	5,865	5,875	5,875[r]	5,894	5,909
14 Trade	24,327	25,139	25,807	26,044	26,029	26,154	26,126	26,127	26,147[r]	26,171	26,171
15 Finance	6,547	6,676	6,814	6,871	6,885	6,896	6,916	6,922	6,921[r]	6,929	6,933
16 Service	24,236	25,600	26,889	27,345	27,419	27,557	27,709	27,783	27,763[r]	27,847	27,963
17 Government	17,010	17,372	17,726	17,830	17,871	17,956	18,002	18,114	18,214[r]	18,476	18,424

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).
2. Includes self-employed, unpaid family, and domestic service workers.
3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1989		1990		1989		1990		1989		1990	
	Q3	Q4	Q1[r]	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1[r]	Q2
	Output (1987 = 100)				Capacity (percent of 1987 output)				Utilization rate (percent)			
1 **Total industry**	**108.1**	**108.1**	**108.3**	**109.3**	**128.8**	**129.5**	**130.3**	**131.2**	**84.0**	**83.5**	**83.1**	**83.3**
2 Mining	100.8	100.6	101.3	102.3	116.7	116.1	115.7	115.2	86.4	86.7	87.6	88.8
3 Utilities	106.2	110.6	105.7	107.4	125.5	125.7	126.0	126.4	84.6	88.0	83.9	85.0
4 **Manufacturing**	**108.9**	**108.7**	**109.2**	**110.1**	**130.2**	**131.1**	**132.1**	**133.2**	**83.7**	**82.9**	**82.6**	**82.7**
5 Primary processing	106.4	106.1	106.4	106.2	122.7	123.4	124.2	124.9	86.7	85.9	85.7	85.0
6 Advanced processing	110.1	109.9	110.5	112.0	133.7	134.7	135.8	137.0	82.4	81.6	81.4	81.7

Series	Previous cycle[2]		Latest cycle[3]		1989				1990					
	High	Low	High	Low	June	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.[r]	May[r]	June
	Capacity utilization rate (percent)													
7 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.6**	**83.3**	**83.5**	**83.7**	**82.7**	**83.2**	**83.4**	**83.0**	**83.3**	**83.5**
8 Mining	94.4	88.4	96.6	80.6	85.8	86.5	87.1	86.3	87.8	87.3	87.5	89.6	89.1	87.8
9 Utilities	95.6	82.5	88.3	76.2	84.8	85.5	86.2	92.3	84.8	82.5	84.2	84.1	84.6	86.3
10 **Manufacturing**	**88.9**	**70.8**	**87.3**	**70.0**	**84.4**	**82.9**	**83.0**	**82.8**	**82.0**	**83.0**	**82.9**	**82.3**	**82.7**	**82.9**
11 Primary processing	92.2	68.9	89.7	66.8	87.0	86.6	86.1	85.2	85.7	86.1	85.2	84.9	84.9	85.2
12 Advanced processing	87.5	72.0	86.3	71.4	83.2	81.4	81.7	81.8	80.5	81.7	82.0	81.3	81.9	82.0

1. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.
2. Monthly high 1973; monthly low 1975.
3. Monthly highs 1978 through 1980; monthly lows 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data are seasonally adjusted

Groups	1987 proportion	1989 avg.	1989 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1990 Jan.	Feb.	Mar.[r]	Apr.	May[p]	June[e]
			Index (1987 = 100)												
MAJOR MARKET[1]															
1 **Total index**	**100.0**	**108.1**	**108.4**	**107.8**	**108.2**	**108.2**	**107.7**	**108.1**	**108.6**	**107.5**	**108.5**	**108.9**	**108.7**	**109.3**	**109.8**
2 Products	60.8	108.6	109.1	108.2	108.5	108.8	108.1	108.9	109.7	108.4	109.4	110.1	109.6	110.4	111.0
3 Final products	46.0	109.1	109.8	108.7	109.1	109.6	108.5	109.4	110.3	108.5	109.7	110.7	110.2	111.2	112.0
4 Consumer goods	26.0	106.7	106.3	105.2	105.6	106.3	107.3	107.4	108.3	106.0	107.0	107.5	106.9	107.5	108.2
5 Durable consumer goods	5.6	107.9	108.4	105.6	105.8	107.6	106.8	105.7	106.8	99.4	106.2	110.8	107.1	109.8	112.1
6 Automotive products	2.5	106.9	106.7	101.1	103.2	104.9	102.9	102.4	104.5	85.2	99.3	109.3	102.3	108.0	112.4
7 Autos and trucks	1.5	105.7	106.2	97.1	101.1	103.1	99.7	98.4	100.1	66.3	92.7	107.7	95.8	105.6	112.9
8 Autos, consumer	.9	101.2	100.5	89.3	95.1	102.0	100.7	92.8	92.6	62.1	86.9	100.5	87.7	96.8	103.8
9 Trucks, consumer	.6	113.3	115.7	110.1	111.3	105.0	98.2	108.0	112.6	73.3	102.3	120.0	109.3	120.4	128.3
10 Auto parts and allied goods	1.0	108.7	107.4	107.0	106.3	107.4	107.6	108.2	111.2	113.6	109.4	111.6	112.2	111.6	111.5
11 Other	3.1	108.7	109.8	109.2	107.9	109.8	109.8	108.4	108.6	110.6	111.6	112.0	110.9	111.2	111.9
12 Appliances, A/C, and TV	.8	106.7	110.5	107.5	106.5	109.3	107.6	102.0	101.0	108.4	107.8	108.1	104.4	103.8	105.6
13 Carpeting and furniture	.9	101.5	102.1	101.0	98.1	100.9	101.1	100.4	102.0	103.7	104.7	105.9	106.5	106.3	106.5
14 Miscellaneous home goods	1.4	114.5	114.3	115.4	114.8	115.8	116.6	117.1	117.1	116.2	118.2	118.0	117.3	118.5	118.9
15 Nondurable consumer goods	20.4	106.4	105.8	105.1	105.6	106.0	107.4	107.8	108.7	107.8	107.2	106.6	106.9	106.8	107.2
16 Foods and tobacco	9.1	104.2	103.0	102.2	103.3	103.7	105.6	105.8	106.4	105.5	106.2	105.8	105.6	105.4	104.9
17 Clothing	2.6	101.6	102.3	101.4	100.3	101.6	101.9	100.1	99.4	100.6	99.6	97.0	96.3	96.7	96.4
18 Chemical products	3.5	109.4	109.8	109.6	110.1	107.8	110.3	111.3	110.3	112.7	112.0	111.0	113.5	113.2	113.7
19 Paper products	2.5	114.3	112.9	113.1	114.1	116.2	117.2	118.1	116.9	116.2	117.6	116.4	116.0	116.9	117.6
20 Energy	2.7	106.7	106.1	105.2	104.7	106.0	106.0	108.0	115.2	107.9	101.5	103.1	104.0	103.6	106.5
21 Fuels	.7	102.8	103.0	104.5	102.3	103.4	103.1	103.0	100.5	105.1	106.6	101.8	101.6	99.3	102.7
22 Residential utilities	2.0	108.1	107.2	105.5	105.6	106.9	107.0	109.8	120.7	109.0	99.6	103.6	105.0	105.2	107.9
23 Equipment, total	20.0	112.3	114.3	113.2	113.6	113.8	110.1	112.0	112.9	111.8	113.3	114.9	114.5	116.1	116.9
24 Business equipment	13.9	119.1	121.4	119.9	120.4	120.7	116.0	118.7	119.9	118.0	120.1	122.2	121.4	123.4	124.6
25 Information processing and related	5.6	121.7	124.0	122.7	122.0	123.7	119.9	123.5	124.0	124.0	124.7	126.0	125.8	126.5	127.3
26 Office and computing	1.9	137.2	139.1	137.1	139.3	141.8	132.8	141.0	142.7	142.7	144.3	147.2	148.3	148.4	148.9
27 Industrial	4.0	113.8	114.9	115.1	113.8	113.8	112.4	113.4	112.8	113.5	113.4	113.9	114.2	115.8	115.6
28 Transit	2.5	123.8	128.3	123.8	128.4	127.0	112.9	117.0	123.4	111.4	122.7	130.6	126.3	132.5	137.2
29 Autos and trucks	1.2	103.9	102.9	95.9	101.6	103.1	97.6	98.0	97.6	69.6	91.7	104.5	95.2	105.7	112.3
30 Other	1.9	116.5	117.4	116.4	118.6	119.1	116.3	117.8	118.5	118.7	117.4	117.8	117.6	118.8	119.0
31 Defense and space equipment	5.4	97.4	98.3	98.7	98.9	98.9	96.6	96.7	96.6	97.5	97.6	97.5	97.2	97.5	97.4
32 Oil and gas well drilling	.6	93.7	96.7	95.3	95.3	97.3	97.3	99.9	100.3	98.3	100.1	106.0	114.3	118.6	122.7
33 Manufactured homes	.2	92.3	92.8	86.5	89.5	87.5	87.9	89.4	91.6	91.6	94.3	92.9	89.7	91.3	90.0
34 Intermediate products, total	14.7	106.8	106.7	106.7	106.4	106.3	106.9	107.3	107.9	108.0	108.4	108.2	107.8	108.0	108.0
35 Construction supplies	6.0	106.1	106.2	106.5	105.5	105.2	106.3	107.0	107.4	107.9	108.2	107.3	106.5	106.0	105.5
36 Business supplies	8.7	107.3	107.0	106.8	106.9	107.0	107.3	107.5	108.2	108.0	108.5	108.9	108.6	109.3	109.7
37 Materials, total	39.2	107.4	107.6	107.3	107.8	107.4	107.1	107.0	106.9	106.2	107.1	107.1	107.2	107.6	107.8
38 Durable goods materials	19.4	111.6	112.1	111.5	112.0	112.0	110.8	110.8	110.4	109.4	110.8	110.9	110.6	112.0	112.5
39 Durable consumer parts	4.2	109.0	110.3	107.7	109.2	108.8	106.9	105.7	102.5	96.5	102.8	104.5	102.5	107.5	108.1
40 Equipment parts	7.3	114.7	115.0	115.0	115.6	115.5	114.4	115.3	115.8	116.5	117.6	117.6	117.4	117.4	117.9
41 Other	7.9	110.2	110.4	110.4	110.4	110.6	109.5	109.4	109.5	109.7	108.7	108.1	108.7	109.4	109.9
42 Basic metal materials	2.8	112.1	111.9	113.1	113.0	112.9	111.0	108.6	109.3	108.5	109.9	107.5	110.0	109.3	110.4
43 Nondurable goods materials	9.0	105.3	105.5	106.7	105.7	104.2	106.1	104.9	104.3	105.4	105.8	105.2	106.0	105.0	105.7
44 Textile materials	1.2	99.8	103.2	104.9	102.1	99.6	98.6	96.1	95.8	94.6	96.2	94.9	95.9	96.4	97.2
45 Pulp and paper materials	1.9	103.8	102.4	104.8	103.6	104.1	107.7	104.6	103.7	105.0	105.3	103.0	106.0	104.2	104.6
46 Chemical materials	3.8	106.4	106.5	108.2	107.3	104.5	106.8	105.8	103.8	105.8	107.3	107.5	107.4	106.0	107.5
47 Other	2.1	107.6	107.9	106.8	107.0	106.5	107.5	108.4	110.4	110.9	108.8	108.7	108.9	108.6	108.2
48 Energy materials	10.9	101.4	101.0	100.1	101.7	101.6	101.3	101.9	102.7	101.2	101.7	102.0	102.2	101.8	101.2
49 Primary energy	7.2	99.9	100.8	100.0	102.5	100.7	99.8	100.5	99.0	101.1	102.1	101.2	100.9	99.8	98.4
50 Converted fuel materials	3.7	104.3	101.7	100.4	100.4	103.6	104.2	104.5	110.0	101.4	100.9	103.4	104.7	105.8	106.8
51 Total excluding autos and trucks	97.3	108.2	108.6	108.2	108.4	108.4	108.0	108.4	108.9	108.6	108.9	109.0	109.0	109.4	109.7
52 Total excluding motor vehicles and parts	95.3	108.3	108.7	108.3	108.5	108.5	108.1	108.6	109.1	109.0	109.2	109.2	109.3	109.6	109.9
53 Total excluding office and computing machines	97.5	107.4	107.7	107.1	107.5	107.4	107.1	107.3	107.7	106.6	107.6	108.0	107.7	108.3	108.8
54 Consumer goods excluding autos and trucks	24.5	106.8	106.3	105.7	105.9	106.5	107.7	107.9	108.8	108.4	107.8	107.5	107.6	107.6	107.9
55 Consumer goods excluding energy	23.3	106.7	106.3	105.2	105.8	106.4	107.4	107.3	107.5	105.8	107.6	108.0	107.3	107.9	108.4
56 Business equipment excluding autos and trucks	12.7	120.6	123.2	122.3	122.3	122.4	117.8	120.7	122.1	122.8	122.9	124.0	124.0	125.2	125.8
57 Business equipment excluding office and computing equipment	12.0	116.2	118.6	117.2	117.4	117.3	113.3	115.0	116.2	114.0	116.2	118.2	117.1	119.4	120.6
58 Materials excluding energy	28.4	109.6	110.0	110.0	110.0	109.5	109.3	108.9	108.4	108.1	109.2	109.1	109.1	109.8	110.3

1. The following series in major market groups will no longer be published: consumer staples, nonfood staples, business and defense equipment, general business supplies, commercial energy products, and textile, paper, and chemical materials.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Groups	SIC code	1987 proportion	1989 avg.	1989 June	1989 July	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.[r]	1990 Apr.	1990 May[p]	1990 June[e]
				Index (1987 = 100)												
MAJOR INDUSTRY																
1 Total index	....	100.0	108.1	108.4	107.8	108.2	108.2	107.7	108.1	108.6	107.5	108.5	108.9	108.7	109.3	109.8
2 Manufacturing	....	84.4	108.9	109.3	108.6	109.1	109.1	108.4	108.9	108.8	108.1	109.6	109.8	109.3	110.2	110.7
3 Primary processing	....	26.7	106.4	106.3	106.8	106.6	105.8	106.6	106.2	105.3	106.2	106.9	106.0	105.9	106.1	106.6
4 Advanced processing	....	57.7	110.1	110.7	109.5	110.2	110.6	109.3	110.1	110.4	109.0	110.9	111.7	111.0	112.2	112.7
5 Durable	....	47.3	110.9	111.8	110.6	111.3	111.5	109.4	110.1	110.4	108.6	110.7	111.9	110.9	112.4	113.0
6 Lumber and products	24	2.0	103.0	103.5	102.8	102.4	102.6	103.2	104.8	106.4	106.0	104.3	105.0	103.3	102.9	101.1
7 Furniture and fixtures	25	1.4	105.3	107.0	104.9	104.5	105.7	105.6	104.4	105.1	105.1	104.8	105.9	107.6	108.3	108.5
8 Clay, glass, and stone products	32	2.5	108.0	108.0	106.2	107.8	106.5	107.7	108.2	108.6	110.0	108.0	107.7	104.6	106.0	105.8
9 Primary metals	33	3.3	109.2	108.7	108.8	111.7	109.9	108.6	104.8	102.6	105.0	107.9	105.4	106.4	105.4	106.4
10 Iron and steel	331,2	1.9	109.3	107.1	107.5	109.8	109.7	109.2	104.1	100.3	104.6	110.6	106.1	106.7	104.5	105.1
11 Raw steel	....	.1	108.5	110.2	109.7	106.8	102.9	106.4	100.6	97.6	109.9	109.0	105.9	104.9	107.6	......
12 Nonferrous	333–6,9	1.4	109.0	110.9	110.4	114.0	109.8	107.6	105.8	105.8	105.6	104.0	104.3	105.9	106.6	108.3
13 Fabricated metal products	34	5.4	107.2	108.3	107.6	106.5	106.0	105.9	106.9	106.3	105.1	105.6	105.5	105.0	106.9	106.7
14 Nonelectrical machinery	35	8.6	121.8	123.4	121.6	121.8	123.4	119.0	122.9	123.8	123.7	124.2	125.2	125.4	126.4	126.6
15 Office and computing machines	357	2.5	137.2	139.1	137.1	139.3	141.8	132.8	141.0	142.7	142.7	144.3	147.3	148.3	148.4	148.9
16 Electrical machinery	36	8.6	109.5	109.1	108.6	110.6	110.8	110.2	110.1	110.1	110.1	111.0	112.3	111.1	111.6	111.9
17 Transportation equipment	37	9.8	107.2	109.0	106.6	107.8	108.0	102.1	102.8	104.4	94.7	103.5	107.9	105.1	109.1	111.4
18 Motor vehicles and parts	371	4.7	104.9	105.0	99.6	102.7	103.2	99.7	99.0	98.7	76.8	94.1	103.5	95.8	103.8	108.2
19 Autos and light trucks	....	2.3	105.0	105.3	95.9	100.2	102.9	99.9	97.6	99.0	65.7	91.8	106.7	94.5	104.6	......
20 Aerospace and miscellaneous transportation equipment	372–6,9	5.1	109.3	112.6	113.0	112.4	112.3	104.3	106.3	109.6	111.0	111.9	111.9	113.5	113.9	114.3
21 Instruments	38	3.3	116.4	118.3	118.5	116.4	116.2	116.1	115.6	114.8	116.0	116.2	115.7	115.4	116.8	117.9
22 Miscellaneous manufactures	39	1.2	114.9	116.1	115.9	116.5	116.2	116.9	117.0	116.4	117.0	118.1	118.6	117.8	119.2	119.4
23 Nondurable	....	37.2	106.4	106.2	106.1	106.2	106.0	107.2	107.3	106.7	107.5	108.3	107.2	107.3	107.4	107.8
24 Foods	20	8.8	105.5	104.2	104.0	104.8	105.4	106.8	107.4	108.0	106.8	107.4	107.1	106.8	106.7	106.5
25 Tobacco products	21	1.0	99.7	100.4	94.2	95.0	93.3	99.7	98.8	98.5	101.3	102.3	100.0	99.0	97.5	95.0
26 Textile mill products	22	1.8	101.9	102.4	104.2	101.5	101.5	101.9	99.3	99.8	100.6	103.0	99.8	100.7	101.7	102.6
27 Apparel products	23	2.4	104.3	105.2	104.4	104.7	104.5	103.9	103.7	102.6	102.4	102.1	99.8	98.8	99.2	99.1
28 Paper and products	26	3.6	103.2	101.8	104.1	103.0	102.2	105.3	104.1	103.4	103.8	105.0	102.8	105.3	103.9	104.9
29 Printing and publishing	27	6.4	108.5	108.6	106.6	107.8	109.4	109.3	109.6	109.6	110.7	112.1	111.4	111.1	112.4	113.0
30 Chemicals and products	28	8.6	108.5	109.1	109.7	109.6	107.5	109.4	109.8	107.6	109.9	110.5	109.5	110.3	109.5	110.5
31 Petroleum products	29	1.3	106.1	106.6	108.2	107.0	108.7	106.9	109.3	104.3	108.6	112.0	109.1	107.7	106.3	108.6
32 Rubber and plastic products	30	3.0	108.9	109.0	109.0	109.0	108.5	108.8	109.1	110.1	110.7	109.1	109.8	108.9	111.0	111.4
33 Leather and products	31	.3	103.7	102.2	103.7	103.2	103.5	102.2	99.4	103.0	104.3	102.9	103.3	102.3	103.6	102.3
34 Mining	....	7.9	100.5	100.4	100.0	100.7	101.6	100.7	101.2	100.1	101.7	101.0	101.1	103.3	102.6	101.0
35 Metal	10	.3	141.4	143.3	151.7	144.3	145.4	143.2	145.9	155.5	144.8	143.4	141.4	150.5	150.5	154.1
36 Coal	11,12	1.2	105.7	100.3	101.1	103.1	109.6	109.9	108.1	103.5	114.1	111.9	112.9	114.2	110.0	107.6
37 Oil and gas extraction	13	5.7	95.5	96.3	94.9	96.3	95.9	94.3	95.5	94.0	94.4	94.1	94.6	96.4	96.5	94.5
38 Stone and earth minerals	14	.7	113.9	115.0	116.8	113.3	114.1	118.0	115.8	119.7	121.2	120.0	116.5	120.4	119.1	120.1
39 Utilities	....	7.6	107.1	106.3	106.6	106.2	105.9	107.4	108.3	116.1	106.8	104.0	106.2	106.2	106.9	109.2
40 Electric	491,3PT	6.0	108.1	107.6	108.5	108.1	107.1	109.7	109.5	116.3	108.3	107.1	109.7	109.3	109.8	112.2
41 Gas	492,3PT	1.6	103.0	101.8	99.3	99.2	101.0	99.1	103.9	115.6	101.2	92.3	93.3	94.8	96.1	97.9
42 Manufacturing excluding motor vehicles and parts	....	79.8	109.2	109.6	109.2	109.5	109.5	108.9	109.4	109.3	109.9	110.5	110.2	110.5	110.9	......
43 Manufacturing excluding office and computing machines	....	82.0	108.1	108.5	107.8	108.2	108.1	107.7	107.9	107.7	107.1	108.6	108.7	108.4	109.3	......
		Gross value (billions of 1982 dollars, annual rates)														
MAJOR MARKET																
44 Products, total	....	**1734.8**	**1,889.8**	**1,894.4**	**1,869.0**	**1,883.7**	**1,894.3**	**1,878.3**	**1,896.9**	**1,905.5**	**1,863.6**	**1,903.3**	**1,922.6**	**1,903.8**	**1,921.0**	**1,942.5**
45 Final	....	1350.9	1,480.1	1,485.6	1,459.6	1,475.3	1,486.2	1,465.6	1,482.8	1,492.5	1,447.9	1,488.3	1,507.5	1,490.6	1,507.1	1,528.3
46 Consumer goods	....	833.4	884.6	878.5	868.9	870.1	878.8	883.2	889.0	898.6	864.3	888.6	893.4	881.8	887.5	899.7
47 Equipment	....	517.5	595.5	607.1	590.8	605.3	607.5	582.4	593.8	594.0	583.6	599.8	614.1	608.8	619.5	628.6
48 Intermediate	....	384.0	409.6	408.8	409.3	408.4	408.1	412.7	414.1	413.0	415.7	415.0	415.1	413.3	413.9	414.2

NOTE. Mining and utilities series is no longer published.

1. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the *Federal Reserve Bulletin*, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September *Bulletin*.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1987	1988	1989	1989 Aug.	1989 Sept.	1989 Oct.	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.[r]	1990 May
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,535	1,456	1,339	1,334	1,310	1,362	1,364	1,416	1,739	1,297	1,232	1,108	1,065
2 1-family	1,024	994	932	933	946	959	984	984	985	974	912	813	802
3 2-or-more-family	511	462	407	401	364	403	380	432	754	323	320	295	263
4 Started	1,621	1,488	1,376	1,325	1,263	1,423	1,347	1,273	1,568	1,488	1,307	1,216	1,205
5 1-family	1,146	1,081	1,003	987	969	1,023	1,010	931	1,099	1,154	996	898	893
6 2-or-more-family	474	407	373	338	294	400	337	342	469	334	311	318	312
7 Under construction, end of period[1]	987	919	850	901	892	894	881	886	892	900	887	880	861
8 1-family	591	570	535	565	565	565	558	567	571	575	567	562	549
9 2-or-more-family	397	350	315	336	327	329	323	319	321	325	320	318	312
10 Completed	1,669	1,530	1,423	1,437	1,366	1,317	1,486	1,302	1,443	1,351	1,378r	1,293	1,353
11 1-family	1,123	1,085	1,026	1,037	959	987	1,078	933	1,031	1,041	1,037r	937	990
12 2-or-more-family	546	445	396	400	407	330	408	369	412	310	341r	356	363
13 Mobile homes shipped	233	218	198	194	186	190	189	189	195	200	193	189	191
Merchant builder activity in 1-family units													
14 Number sold	672	675	650	719	638	636	687	633	613	606	559	530	532
15 Number for sale, end of period[1]	366	367	362	364	364	363	363	362	365	366	363	362	358
Price (thousands of dollars)[2]													
Median													
16 Units sold	104.7	113.3	120.4	122.9	120.0	123.0	125.0	125.2	125.0	126.9	119.9	133.4	128.5
Average													
17 Units sold	127.9	139.0	148.3	158.6	151.1	147.8	151.4	154.3	151.7	150.9	144.8	154.2	150.4
EXISTING UNITS (1-family)													
18 Number sold	3,530	3,594	3,439	3,440	3,510	3,490	3,560	3,560	3,520	3,400	3,400	3,330	3,300
Price of units sold (thousands of dollars)[2]													
19 Median	85.6	89.2	93.0	95.8	93.8	92.4	93.1	92.5	96.3	95.2	96.3	95.6	95.6
20 Average	106.2	112.5	118.0	121.6	118.3	116.7	117.9	118.1	120.0	118.3	119.5	117.8	118.7
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**410,209r**	**422,076r**	**432,068r**	**433,934r**	**433,430r**	**429,277r**	**433,381r**	**431,995r**	**445,959r**	**455,571r**	**457,272r**	**447,209**	**445,635**
22 Private	319,641r	327,102r	333,514r	334,955r	332,087r	332,131r	329,847r	325,011r	338,078r	343,118r	347,366r	342,749	336,584
23 Residential	194,656	198,101	196,551r	195,577r	192,980r	192,087r	190,855r	189,636r	200,149r	203,013r	206,868r	204,105	199,718
24 Nonresidential, total	124,985r	129,001r	136,963r	139,378r	139,107r	140,044r	138,992r	135,375r	137,929r	140,105r	140,498r	138,644	136,866
Buildings													
25 Industrial	13,707	14,931	18,506r	19,384r	19,976r	19,175r	19,134r	18,863r	19,680r	21,072r	21,086r	21,017	20,752
26 Commercial	55,448	58,104	59,389r	59,874r	59,279r	61,353r	59,627r	57,090r	57,376r	58,748r	57,210r	55,498	53,958
27 Other	15,464	17,278	17,848r	18,976r	18,696r	17,868r	18,160r	16,612r	17,706r	16,964r	17,646r	18,145	18,157
28 Public utilities and other	40,366r	38,688r	41,220r	41,144r	41,156r	41,648r	42,071r	42,810r	43,167r	43,321r	44,556r	43,984	43,999
29 Public	90,566r	94,971r	98,551r	98,979r	101,343r	97,146r	103,534r	106,984r	107,881r	112,453r	109,906r	104,460	109,052
30 Military	4,327	3,579	3,520r	3,804r	4,942r	2,076	3,664	3,552	3,838r	3,886r	5,099r	3,702	3,965
31 Highway	26,958r	30,140r	29,502r	29,233r	29,696r	28,426r	30,376r	33,450r	31,901r	37,018r	32,374r	29,864	30,946
32 Conservation and development	5,519r	4,726r	4,969r	5,034r	5,186r	4,953r	4,916r	5,371r	5,192r	5,559r	4,996r	5,009	5,129
33 Other	53,762r	56,526r	60,560r	60,908r	61,519r	61,691r	64,578r	64,611r	66,950r	65,990r	67,437r	65,885	69,012

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level June 1990[1]
	1989 June	1990 June	1989		1990		1990					
			Sept.	Dec.	Mar.	June	Feb.[r]	Mar.[r]	Apr.[r]	May	June	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**5.2**	**4.7**	**2.3**	**4.9**	**8.5**	**3.5**	**.5**	**.5**	**.2**	**.2**	**.5**	**129.9**
2 Food	6.3	5.6	3.6	5.5	11.4	2.1	.5	.3	−.2	.0	.8	132.0
3 Energy items	8.8	.5	−12.6	3.9	14.8	−2.0	−.7	−.8	−.4	−.7	.6	99.5
4 All items less food and energy	4.5	4.9	3.5	4.7	7.5	3.9	.5	.7	.2	.3	.4	134.8
5 Commodities	3.4	3.3	1.3	3.4	7.8	.7	1.0	.5	.0	.1	.1	123.2
6 Services	5.1	5.8	4.5	5.7	7.2	5.5	.4	.7	.4	.4	.6	141.6
PRODUCER PRICES (1982=100)												
7 Finished goods	6.1	3.1	.4	5.0	6.7	.7	.0	−.3	−.3	.3	.2	117.9
8 Consumer foods	5.6	5.0	.7	12.4	9.5	−1.9	.7	−.7	−.6	.6	−.4	124.5
9 Consumer energy	16.4	−3.7	−15.3	−5.3	24.0	−13.8	−4.5	−2.8	−1.7	−1.0	−.9	67.6
10 Other consumer goods	5.3	3.8	2.3	4.2	3.5	5.1	.4	.3	.1	.5	.7	128.8
11 Capital equipment	4.3	2.9	4.4	2.0	3.4	2.3	.4	.2	.2	.0	.4	122.3
12 Intermediate materials[3]	5.1	.1	−.7	−.4	2.5	−1.1	−.7	.0	.0	−.1	−.2	112.8
13 Excluding energy	4.9	.0	−.7	−1.0	1.3	.3	−.1	.3	.1	.1	−.1	120.5
Crude materials												
14 Foods	2.9	3.1	−2.2	19.2	8.7	−11.2	.6	.8	−.8	−2.5	.4	115.2
15 Energy	10.7	−10.3	−7.0	13.2	1.0	−39.2	.4	−4.7	−7.8	2.1	−6.2	69.5
16 Other	5.1	−.6	.6	−15.3	4.3	10.6	−.8	2.0	2.2	1.0	−.6	137.1

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1987[r]	1988[r]	1989[r]	1989			1990	
				Q2[r]	Q3[r]	Q4[r]	Q1[r]	Q2
GROSS NATIONAL PRODUCT								
1 **Total**	**4,515.6**	**4,873.7**	**5,200.8**	**5,174.0**	**5,238.6**	**5,289.3**	**5,375.4**	**5,451.6**
By source								
2 Personal consumption expenditures	3,009.4	3,238.2	3,450.1	3,425.9	3,484.3	3,518.5	3,588.1	3,619.5
3 Durable goods	423.4	457.5	474.6	473.6	487.1	471.2	492.1	479.6
4 Nondurable goods	1,001.3	1,060.0	1,130.0	1,127.1	1,137.3	1,148.8	1,174.7	1,171.5
5 Services	1,584.7	1,720.7	1,845.5	1,825.1	1,859.8	1,898.5	1,921.3	1,968.4
6 Gross private domestic investment	699.5	747.1	771.2	776.7	775.8	762.7	747.2	772.4
7 Fixed investment	671.2	720.8	742.9	744.0	746.9	737.7	758.9	741.2
8 Nonresidential	444.9	488.4	511.9	511.4	518.1	511.8	523.1	513.5
9 Structures	133.7	139.9	146.2	144.2	147.0	147.1	148.8	146.9
10 Producers' durable equipment	311.2	348.4	365.7	367.2	371.0	364.7	374.3	366.6
11 Residential structures	226.3	232.5	231.0	232.7	228.9	225.9	235.9	227.7
12 Change in business inventories	28.3	26.2	28.3	32.7	28.9	25.0	-11.8	31.2
13 Nonfarm	32.3	29.8	23.3	26.1	26.2	24.1	-17.0	30.1
14 Net exports of goods and services	-114.7	-74.1	-46.1	-51.3	-49.3	-35.3	-30.0	-27.0
15 Exports	449.6	552.0	626.2	628.8	623.7	642.8	661.3	661.7
16 Imports	564.3	626.1	672.3	680.0	673.0	678.1	691.3	688.7
17 Government purchases of goods and services	921.4	962.5	1,025.6	1,022.7	1,027.8	1,043.3	1,070.1	1,086.7
18 Federal	381.3	380.3	400.0	402.5	399.2	399.9	410.6	420.7
19 State and local	540.2	582.3	625.6	620.2	628.6	643.4	659.6	666.0
By major type of product								
20 Final sales, total	4,487.3	4,847.5	5,172.5	5,141.3	5,209.7	5,264.3	5,387.2	5,420.5
21 Goods	1,788.4	1,935.1	2,072.7	2,079.4	2,090.2	2,085.9	2,111.0	2,147.1
22 Durable	780.5	860.2	906.7	904.6	922.1	907.4	919.9	936.3
23 Nondurable	1,007.9	1,074.9	1,166.1	1,174.9	1,168.1	1,178.6	1,191.2	1,210.8
24 Services	2,292.4	2,488.6	2,671.2	2,639.2	2,693.3	2,747.5	2,791.3	2,844.0
25 Structures	434.9	450.0	456.9	455.3	455.0	455.9	473.0	460.5
26 Change in business inventories	28.3	26.2	28.3	32.7	28.9	25.0	-11.8	31.2
27 Durable goods	22.9	19.9	11.9	8.4	6.6	13.2	-21.6	12.2
28 Nondurable goods	5.4	6.4	16.4	24.3	22.2	11.9	9.8	18.9
MEMO								
29 **Total GNP in 1982 dollars**	**3,845.3**	**4,016.9**	**4,117.7**	**4,112.2**	**4,129.7**	**4,133.2**	**4,150.6**	**4,163.2**
NATIONAL INCOME								
30 **Total**	**3,660.3**	**3,984.9**	**4,223.3**	**4,216.8**	**4,232.1**	**4,267.1**	**4,350.3**	n.a.
31 Compensation of employees	2,686.4	2,905.1	3,079.0	3,062.6	3,095.2	3,128.6	3,180.4	3,229.1
32 Wages and salaries	2,249.7	2,431.1	2,573.2	2,560.0	2,586.6	2,612.7	2,651.6	2,693.3
33 Government and government enterprises	419.4	446.6	476.6	473.2	479.9	486.7	497.1	505.5
34 Other	1,830.3	1,984.5	2,096.6	2,086.9	2,106.7	2,126.0	2,154.5	2,187.8
35 Supplement to wages and salaries	436.6	474.0	505.8	502.6	508.6	515.9	528.8	535.9
36 Employer contributions for social insurance	227.2	248.5	263.9	262.6	265.1	268.4	276.0	279.4
37 Other labor income	209.4	225.5	241.9	239.9	243.5	247.5	252.8	256.4
38 Proprietors' income[1]	323.4	354.2	379.3	379.6	368.1	381.7	404.0	402.8
39 Business and professional[1]	280.6	310.5	330.7	329.1	329.5	336.0	346.6	352.1
40 Farm[1]	42.8	43.7	48.6	50.5	38.7	45.7	57.4	50.7
41 Rental income of persons[2]	13.7	16.3	8.2	9.7	5.8	4.1	5.5	4.4
42 Corporate profits[1]	308.3	337.6	311.6	321.4	306.7	290.9	296.8	n.a.
43 Profits before tax[3]	275.3	316.7	307.7	314.6	291.4	289.8	296.9	n.a.
44 Inventory valuation adjustment	-19.4	-27.0	-21.7	-23.1	-6.1	-14.5	-11.4	1.8
45 Capital consumption adjustment	52.4	47.8	25.5	29.9	21.4	15.6	11.3	7.9
46 Net interest	328.6	371.8	445.1	443.4	456.2	461.7	463.6	470.0

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. *Survey of Current Business* (Department of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1987r	1988r	1989r	1989 Q2r	1989 Q3r	1989 Q4r	1990 Q1r	1990 Q2
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,766.4**	**4,070.8**	**4,384.3**	**4,362.9**	**4,402.8**	**4,469.2**	**4,562.8**	**4,623.4**
2 Wage and salary disbursements	2,249.7	2,431.1	2,573.2	2,560.0	2,586.6	2,612.7	2,651.6	2,693.3
3 Commodity-producing industries	649.9	696.4	720.6	719.3	722.3	721.4	724.6	729.3
4 Manufacturing	490.3	524.0	541.8	541.4	543.2	540.9	541.2	547.9
5 Distributive industries	531.8	572.0	604.7	602.6	607.1	614.6	627.0	636.9
6 Service industries	648.5	716.2	771.4	764.9	777.4	790.0	802.9	821.7
7 Government and government enterprises	419.4	446.6	476.6	473.2	479.9	486.7	497.1	505.5
8 Other labor income	209.4	225.5	241.9	239.9	243.5	247.5	252.8	256.4
9 Proprietors' income[1]	323.4	354.2	379.3	379.6	368.1	381.7	404.0	402.8
10 Business and professional[1]	280.6	310.5	330.7	329.1	329.5	336.0	346.6	352.1
11 Farm[1]	42.8	43.7	48.6	50.5	38.7	45.7	57.4	50.7
12 Rental income of persons[2]	13.7	16.3	8.2	9.7	5.8	4.1	5.5	4.4
13 Dividends	91.8	102.2	114.4	113.2	115.7	118.2	120.5	122.9
14 Personal interest income	501.3	547.9	643.2	642.1	655.2	664.9	670.5	681.3
15 Transfer payments	549.9	587.7	636.9	630.2	641.8	655.9	680.9	686.2
16 Old-age survivors, disability, and health insurance benefits	282.9	300.5	325.3	321.9	328.3	334.1	347.2	347.1
17 LESS: Personal contributions for social insurance	172.9	194.1	212.8	212.0	214.0	215.8	222.9	223.9
18 EQUALS: Personal income	3,766.4	4,070.8	4,384.3	4,362.9	4,402.8	4,469.2	4,562.8	4,623.4
19 LESS: Personal tax and nontax payments	571.6	591.6	658.8	665.5	659.5	669.6	675.1	693.7
20 EQUALS: Disposable personal income	3,194.7	3,479.2	3,725.5	3,697.3	3,743.4	3,799.6	3,887.7	3,929.6
21 LESS: Personal outlays	3,102.2	3,333.6	3,553.7	3,528.5	3,588.8	3,625.5	3,696.4	3,728.5
22 EQUALS: Personal saving	92.5	145.6	171.8	168.9	154.5	174.1	191.3	201.2
MEMO								
Per capita (1982 dollars)								
23 Gross national product	15,759.4	16,302.4	16,550.2	16,554.8	16,578.5	16,546.0	16,575.9	16,586.5
24 Personal consumption expenditures	10,310.7	10,578.3	10,678.5	10,649.4	10,739.9	10,688.2	10,692.1	10,658.2
25 Disposable personal income	10,946.0	11,368.0	11,531.0	11,492.0	11,538.0	11,541.0	11,586.0	11,571.0
26 Saving rate (percent)	2.9	4.2	4.6	4.6	4.1	4.6	4.9	5.1
GROSS SAVING								
27 **Gross saving**	**555.5**	**656.1**	**691.5**	**697.9**	**692.4**	**674.8**	**664.8**	n.a.
28 Gross private saving	662.6	751.3	779.3	770.3	776.0	786.4	795.0	n.a.
29 Personal saving	92.5	145.6	171.8	168.9	154.5	174.1	191.3	201.2
30 Undistributed corporate profits[1]	83.2	91.4	53.0	58.5	53.9	39.8	36.7	n.a.
31 Corporate inventory valuation adjustment	−19.4	−27.0	−21.7	−23.1	−6.1	−14.5	−11.4	1.8
Capital consumption allowances								
32 Corporate	303.2	322.1	346.4	341.1	351.6	356.5	356.7	359.5
33 Noncorporate	183.8	192.2	208.0	201.8	215.9	216.0	210.3	211.6
34 Government surplus, or deficit (−), national income and product accounts	−107.1	−95.3	−87.8	−72.4	−83.6	−111.6	−130.2	n.a.
35 Federal	−158.2	−141.7	−134.3	−122.7	−131.7	−150.1	−168.3	n.a.
36 State and local	51.0	46.5	46.4	50.3	48.1	38.5	38.1	n.a.
37 **Gross investment**	**544.9**	**627.8**	**674.4**	**677.6**	**676.1**	**671.8**	**665.6**	**693.8**
38 Gross private domestic	699.5	747.1	771.2	776.7	775.8	762.7	747.2	772.4
39 Net foreign	−154.6	−119.2	−96.8	−99.1	−99.7	−90.9	−81.6	−78.6
40 **Statistical discrepancy**	**−10.6**	**−28.2**	**−17.0**	**−20.3**	**−16.2**	**−3.0**	**0.7**	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. *Survey of Current Business* (Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1987r	1988r	1989r	1989r Q1	1989r Q2	1989r Q3	1989r Q4	1990 Q1p
1 Balance on current account	−162,315	−128,862	−110,035	−27,104	−28,649	−27,591	−26,692	−22,941
2 Not seasonally adjusted	....	....	....	−22,961	−27,528	−31,620	−27,926	−19,164
3 Merchandise trade balance[2]	−159,500	−126,986	−114,864	−28,093	−28,222	−29,803	−28,746	−26,371
4 Merchandise exports	250,266	320,337	360,465	88,267	91,111	89,349	91,738	96,044
5 Merchandise imports	−409,766	−447,323	−475,329	−116,360	−119,333	−119,152	−120,484	−122,415
6 Military transactions, net	−3,530	−5,452	−6,319	−1,763	−1,667	−1,114	−1,776	−1,370
7 Investment income, net	5,326	1,610	−913	465	−1,957	17	561	608
8 Other service transactions, net	9,964	16,971	26,783	5,842	6,203	6,839	7,900	7,681
9 Remittances, pensions, and other transfers	−4,299	−4,261	−3,758	−999	−962	−909	−889	−874
10 U.S. government grants	−10,276	−10,744	−10,963	−2,556	−2,044	−2,621	−3,742	−2,615
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	997	2,969	1,185	962	−303	574	−47	−486
12 Change in U.S. official reserve assets (increase, −)	9,149	−3,912	−25,293	−4,000	−12,095	−5,996	−3,202	−3,177
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−509	127	−535	−188	68	−211	−204	−247
15 Reserve position in International Monetary Fund	2,070	1,025	471	316	−159	337	−23	234
16 Foreign currencies	7,588	−5,064	−25,229	−4,128	−12,004	−6,122	−2,975	−3,164
17 Change in U.S. private assets abroad (increase, −)	−73,092	−83,232	−102,953	−29,821	11,017	−38,654	−45,496	33,172
18 Bank-reported claims[3]	−42,119	−56,322	−50,684	−23,586	26,829	−21,269	−32,658	45,655
19 Nonbank-reported claims	5,324	−2,847	1,391	1,851	−2,384	1,877	47	....
20 U.S. purchase of foreign securities, net	−5,251	−7,846	−21,938	−2,062	−6,144	−9,623	−4,109	−4,871
21 U.S. direct investments abroad, net	−31,046	−16,217	−31,722	−6,024	−7,284	−9,639	−8,776	−7,612
22 Change in foreign official assets in United States (increase, +)	45,210	39,515	8,823	7,797	−4,961	13,003	−7,016	−8,825
23 U.S. Treasury securities	43,238	41,741	333	4,630	−9,726	12,771	−7,342	−5,874
24 Other U.S. government obligations	1,564	1,309	1,383	721	−97	190	569	−531
25 Other U.S. government liabilities[4]	−2,503	−710	332	−200	470	−350	412	−368
26 Other U.S. liabilities reported by U.S. banks[3]	3,918	−319	4,940	2,191	3,820	−251	−820	−1,926
27 Other foreign official assets[5]	−1,007	−2,506	1,835	455	572	643	165	−126
28 Change in foreign private assets in United States (increase, +)	173,260	181,926	205,829	60,605	7,755	61,133	76,336	−18,665
29 U.S. bank-reported liabilities[3]	89,026	70,235	61,199	17,486	−20,806	27,845	36,674	−28,125
30 U.S. nonbank-reported liabilities	2,863	6,664	2,867	3,717	−407	−2,175	1,732	....
31 Foreign private purchases of U.S. Treasury securities, net	−7,643	20,239	29,951	9,323	2,339	12,618	5,671	−864
32 Foreign purchases of other U.S. securities, net	42,120	26,353	39,568	8,731	9,574	10,470	10,793	2,732
33 Foreign direct investments in United States, net	46,894	58,435	72,244	21,348	17,055	12,375	21,466	7,592
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	6,790	−8,404	22,443	−8,439	27,236	−2,469	6,117	20,922
36 Owing to seasonal adjustments	....	....	....	3,093	−1,697	−4,953	3,560	3,116
37 Statistical discrepancy in recorded data before seasonal adjustment	6,790	−8,404	22,443	−11,532	28,933	2,484	2,558	17,806
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	9,149	−3,912	−25,293	−4,000	−12,095	−5,996	−3,202	−3,177
39 Foreign official assets in United States (increase, +) excluding line 25	47,713	40,225	8,491	7,997	−5,431	13,353	−7,428	−8,457
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22 above)	−9,956	−2,996	10,713	7,100	460	4,532	−1,379	2,976

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise data and are included in line 6.
3. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data are seasonally adjusted.

Item	1987	1988	1989[r]	1989		1990				
				Nov.[r]	Dec.[r]	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[p]
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	254,073	322,427[r]	363,812	30,618	31,262	31,372	31,576	33,266	32,058	32,786
GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses										
2 Customs value	406,241	440,952	473,211	40,531	38,058	41,570	38,672	41,636	39,364	40,518
Trade balance										
3 **Customs value**	**−152,169**	**−118,526**	**−109,399**	**−9,913**	**−6,796**	**−10,198**	**−7,096**	**−8,370**	**−7,306**	**−7,731**

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustment is the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above. As of Jan. 1, 1987 census data are released 45 days after the end of the month; the previous month is revised to reflect late documents. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1986	1987	1988	1989	1990					
				Dec.	Jan.	Feb.	Mar.	Apr.[p]	May[p]	June[p]
1 **Total**	**48,511**	**45,798**	**47,802**	**74,609**	**75,506**	**74,173**	**76,303**	**76,283**	**77,028**	**77,298**
2 Gold stock, including Exchange Stabilization Fund[1]	11,064	11,078	11,057	11,059	11,059	11,059	11,060	11,060	11,065	11,065
3 Special drawing rights[2,3]	8,395	10,283	9,637	9,951	10,041	10,216	10,092	10,103	10,396	10,490
4 Reserve position in International Monetary Fund[2]	11,730	11,349	9,745	9,048	9,173	8,985	8,727	8,687	8,764	8,449
5 Foreign currencies[4]	17,322	13,088	17,363	44,551	45,233	43,913	46,424	46,433	46,803	47,294

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Assets	1986	1987	1988	1989	1990					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 Deposits	287	244	347	589	251	309	300	402	309	368
Assets held in custody										
2 U.S. Treasury securities[2]	155,835	195,126	232,547	224,911	225,618	221,798	250,447	252,759	253,691	255,651
3 Earmarked gold[3]	14,048	13,919	13,636	13,456	13,458	13,458	13,458	13,458	13,460	13,433

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies at face value.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1986	1987	1988	1989		1990				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
	All foreign countries									
1 **Total, all currencies**	**456,628**	**518,618**	**505,595**	**548,074**	**545,366**	**549,368**	**553,815**	**535,059**	**535,886**	**541,383**
2 Claims on United States	114,563	138,034	169,111	195,913	198,835	192,688	188,700	176,095	177,104	182,236
3 Parent bank	83,492	105,845	129,856	154,825	157,092	149,285	145,156	135,171	133,573	140,763
4 Other banks in United States	13,685	16,416	14,918	15,301	17,042	17,840	18,064	15,511	17,965	15,647
5 Nonbanks	17,386	15,773	24,337	25,787	24,701	25,563	25,480	25,413	25,566	25,826
6 Claims on foreigners	312,955	342,520	299,728	302,525	300,575	307,937	313,934	308,117	307,470	306,015
7 Other branches of parent bank	96,281	122,155	107,179	111,053	113,810	120,359	122,457	120,488	118,835	116,640
8 Banks	105,237	108,859	96,932	95,098	90,703	91,712	94,065	89,837	90,812	90,422
9 Public borrowers	23,706	21,832	17,163	16,148	16,456	15,392	15,148	15,973	16,217	16,172
10 Nonbank foreigners	87,731	89,674	78,454	80,226	79,606	80,474	82,264	81,819	81,606	82,781
11 Other assets	29,110	38,064	36,756	49,636	45,956	48,743	51,181	50,847	51,312	53,132
12 **Total payable in U.S. dollars**	**317,487**	**350,107**	**357,573**	**380,282**	**382,414**	**375,315**r	**375,511**r	**358,543**	**360,224**	**363,140**
13 Claims on United States	110,620	132,023	163,456	188,105	191,184	184,782	180,738	168,833	169,996	173,899
14 Parent bank	82,082	103,251	126,929	149,908	152,294	144,055	139,920	130,350	129,162	135,223
15 Other banks in United States	12,830	14,657	14,167	14,543	16,386	17,018	17,187	14,992	17,209	14,818
16 Nonbanks	15,708	14,115	22,360	23,654	22,504	23,709	23,631	23,491	23,625	23,858
17 Claims on foreigners	195,063	202,428	177,685	168,404	169,690	167,722	172,132	167,616	168,419	167,630
18 Other branches of parent bank	72,197	88,284	80,736	79,585	82,949	86,114	87,403	85,028	84,930	83,381
19 Banks	66,421	63,707	54,884	48,966	48,396	45,385	46,582	43,408	43,814	44,449
20 Public borrowers	16,708	14,730	12,131	11,446	10,961	10,332	10,529	11,110	11,191	10,912
21 Nonbank foreigners	39,737	35,707	29,934	28,407	27,384	25,891	27,618	28,070	28,484	28,888
22 Other assets	11,804	15,656	16,432	23,773	21,540	22,811r	22,641r	22,094	21,809	21,611
	United Kingdom									
23 **Total, all currencies**	**140,917**	**158,695**	**156,835**	**164,916**	**161,947**	**166,915**	**169,727**	**167,162**	**173,127**	**177,891**
24 Claims on United States	24,599	32,518	40,089	44,661	39,212	41,208	40,161	38,809	42,366	43,259
25 Parent bank	19,085	27,350	34,243	40,848	35,847	37,292	36,311	34,648	37,572	39,101
26 Other banks in United States	1,612	1,259	1,123	1,199	1,058	1,441	1,365	1,301	1,262	747
27 Nonbanks	3,902	3,909	4,723	2,614	2,307	2,475	2,485	2,860	3,532	3,411
28 Claims on foreigners	109,508	115,700	106,388	105,349	107,657	109,837	110,911	109,227	111,175	114,757
29 Other branches of parent bank	33,422	39,903	35,625	35,064	37,728	37,701	38,410	39,636	41,613	43,358
30 Banks	39,468	36,735	36,765	36,317	36,159	37,668	36,488	34,803	35,224	35,730
31 Public borrowers	4,990	4,752	4,019	3,181	3,293	3,128	3,076	3,857	3,980	3,943
32 Nonbank foreigners	31,628	34,310	29,979	30,787	30,477	31,340	32,937	30,931	30,358	31,726
33 Other assets	6,810	10,477	10,358	14,906	15,078	15,870	18,655	19,126	19,586	19,875
34 **Total payable in U.S. dollars**	**95,028**	**100,574**	**103,503**	**106,086**	**103,427**	**103,038**	**103,752**	**101,024**	**107,483**	**110,198**
35 Claims on United States	23,193	30,439	38,012	41,504	36,404	38,261	37,006	35,752	39,091	39,386
36 Parent bank	18,526	26,304	33,252	39,304	34,329	35,731	34,462	32,697	35,663	36,724
37 Other banks in United States	1,475	1,044	964	861	843	1,118	1,036	1,122	1,041	521
38 Nonbanks	3,192	3,091	3,796	1,339	1,232	1,412	1,508	1,933	2,387	2,141
39 Claims on foreigners	68,138	64,560	60,472	56,872	59,062	56,939	58,763	57,166	60,165	63,025
40 Other branches of parent bank	26,361	28,635	28,474	26,961	29,872	28,655	30,224	30,421	32,885	34,441
41 Banks	23,251	19,188	18,494	16,884	16,579	16,399	15,984	13,748	14,141	14,635
42 Public borrowers	3,677	3,313	2,840	2,404	2,371	2,321	2,266	3,074	3,131	3,114
43 Nonbank foreigners	14,849	13,424	10,664	10,623	10,240	9,564	10,289	9,923	10,008	10,835
44 Other assets	3,697	5,575	5,019	7,710	7,961	7,838	7,983	8,106	8,227	7,787
	Bahamas and Caymans									
45 **Total, all currencies**	**142,592**	**160,321**	**170,639**	**172,762**	**176,006**	**167,385**	**164,908**	**155,145**	**150,767**	**154,851**
46 Claims on United States	78,048	85,318	105,320	118,037	124,205	117,177	114,263	105,466	102,184	105,617
47 Parent bank	54,575	60,048	73,409	82,605	87,882	79,525	76,475	70,535	65,084	69,807
48 Other banks in United States	11,156	14,277	13,145	13,185	15,071	15,403	15,827	13,564	15,902	14,079
49 Nonbanks	12,317	10,993	18,766	22,247	21,252	22,249	21,961	21,367	21,198	21,731
50 Claims on foreigners	60,005	70,162	58,393	46,391	44,168	42,610	43,162	42,393	41,467	42,147
51 Other branches of parent bank	17,296	21,277	17,954	14,414	11,309	13,371	14,409	13,171	13,306	12,917
52 Banks	27,476	33,751	28,268	21,641	22,611	20,119	19,595	19,370	18,499	19,947
53 Public borrowers	7,051	7,428	5,830	5,340	5,217	4,764	4,753	4,684	4,490	4,350
54 Nonbank foreigners	8,182	7,706	6,341	4,996	5,031	4,356	4,405	5,168	5,172	4,933
55 Other assets	4,539	4,841	6,926	8,334	7,633	7,598	7,483	7,286	7,116	7,087
56 **Total payable in U.S. dollars**	**136,813**	**151,434**	**163,518**	**167,182**	**170,780**	**160,832**	**159,484**	**150,061**	**145,994**	**149,467**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from \$50 million to \$150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14—Continued

Liability account	1986	1987	1988	1989 Nov.	1989 Dec.	1990 Jan.	1990 Feb.	1990 Mar.	1990 Apr.	1990 May
	All foreign countries									
57 **Total, all currencies**	**456,628**	**518,618**	**505,595**	**548,074**	**545,366**	**549,368**	**553,815**	**535,059**	**535,886**	**541,383**
58 Negotiable CDs	31,629	30,929	28,511	26,555	23,500	23,510	23,620	21,767	24,113	25,061
59 To United States	152,465	161,390	185,577	190,149	197,239	178,452	181,164	173,674	168,669	169,791
60 Parent bank	83,394	87,606	114,720	128,799	138,803	117,318	119,967	114,169	109,642	109,831
61 Other banks in United States	15,646	20,355	14,737	10,811	11,704	11,850	11,990	10,799	11,782	10,356
62 Nonbanks	53,425	53,429	56,120	50,539	46,732	49,284	49,207	48,706	47,245	49,604
63 To foreigners	253,775	304,803	270,923	302,346	296,850	315,991	317,318	309,756	313,446	315,101
64 Other branches of parent bank	95,146	124,601	111,267	115,484	119,591	126,965	126,786	124,084	120,405	120,722
65 Banks	77,809	87,274	72,842	81,200	76,452	82,042	77,449	75,017	77,875	78,681
66 Official institutions	17,835	19,564	15,183	18,938	16,750	19,004	20,637	17,704	20,683	19,570
67 Nonbank foreigners	62,985	73,364	71,631	86,724	84,057	87,980	92,446	92,951	94,483	96,128
68 Other liabilities	18,759	21,496	20,584	29,024	27,777	31,415	31,713	29,862	29,658	31,430
69 **Total payable in U.S. dollars**	**336,406**	**361,438**	**367,483**	**392,983**	**396,282**	**385,010**[r]	**385,634**[r]	**369,306**	**368,626**	**369,517**
70 Negotiable CDs	28,466	26,768	24,045	22,539	19,619	18,512	18,783	17,084	19,601	20,188
71 To United States	144,483	148,442	173,190	179,927	187,286	167,754	169,669	162,606	157,579	157,851
72 Parent bank	79,305	81,783	107,150	122,910	132,954	111,328	113,487	108,128	103,252	103,389
73 Other banks in United States	14,609	18,951	13,468	9,512	10,519	10,560	10,684	9,296	10,415	8,939
74 Nonbanks	50,569	47,708	52,572	47,505	43,813	45,866	45,498	45,182	43,912	45,523
75 To foreigners	156,806	177,711	160,766	177,459	176,460	185,192	183,378	176,939	178,035	177,888
76 Other branches of parent bank	71,181	90,469	84,021	82,912	87,636	91,736	90,360	86,908	84,090	84,415
77 Banks	33,850	35,065	28,493	33,370	30,537	32,551	28,741	27,639	29,207	28,265
78 Official institutions	12,371	12,409	8,224	11,713	9,873	11,063	11,740	9,248	11,909	11,480
79 Nonbank foreigners	39,404	39,768	40,028	49,464	48,414	49,842	52,537	53,144	52,829	53,728
80 Other liabilities	6,651	8,517	9,482	13,058	12,917	13,552[r]	13,804[r]	12,677	13,411	13,590
	United Kingdom									
81 **Total, all currencies**	**140,917**	**158,695**	**156,835**	**164,916**	**161,947**	**166,915**	**169,727**	**167,162**	**173,127**	**177,891**
82 Negotiable CDs	27,781	26,988	24,528	22,837	20,056	19,791	19,656	18,266	20,535	21,455
83 To United States	24,657	23,470	36,784	33,101	36,036	31,893	32,686	32,780	33,931	33,755
84 Parent bank	14,469	13,223	27,849	25,430	29,726	23,256	23,752	22,970	23,339	23,179
85 Other banks in United States	2,649	1,536	2,037	1,096	1,256	1,545	2,115	1,827	1,841	1,847
86 Nonbanks	7,539	8,711	6,898	6,575	5,054	7,092	6,819	7,983	8,751	8,729
87 To foreigners	79,498	98,689	86,026	96,509	92,307	99,720	101,565	101,160	103,362	106,181
88 Other branches of parent bank	25,036	33,078	26,812	26,656	27,397	29,216	28,074	29,848	28,581	29,193
89 Banks	30,877	34,290	30,609	33,016	29,780	33,568	32,110	29,116	31,026	31,580
90 Official institutions	6,836	11,015	7,873	9,724	8,551	9,368	10,758	9,184	10,829	11,269
91 Nonbank foreigners	16,749	20,306	20,732	27,113	26,579	27,568	30,623	33,012	32,926	34,139
92 Other liabilities	8,981	9,548	9,497	12,469	13,548	15,511	15,820	14,956	15,299	16,500
93 **Total payable in U.S. dollars**	**99,707**	**102,550**	**105,907**	**109,116**	**108,178**	**106,676**	**106,416**	**103,544**	**109,708**	**110,607**
94 Negotiable CDs	26,169	24,926	22,063	20,715	18,143	16,931	16,910	15,660	17,936	18,621
95 To United States	22,075	17,752	32,588	30,130	33,056	28,542	28,817	29,383	30,386	29,666
96 Parent bank	14,021	12,026	26,404	24,578	28,812	22,428	22,513	22,219	22,446	22,339
97 Other banks in United States	2,325	1,308	1,752	863	1,065	1,217	1,807	1,552	1,553	1,456
98 Nonbanks	5,729	4,418	4,432	4,689	3,179	4,897	4,497	5,612	6,387	5,871
99 To foreigners	48,138	55,919	47,083	52,135	50,517	54,574	53,751	52,095	54,371	55,163
100 Other branches of parent bank	17,951	22,334	18,561	16,845	18,384	19,660	18,556	19,182	18,799	18,589
101 Banks	15,203	15,580	13,407	13,587	12,244	14,701	11,920	9,976	11,233	11,007
102 Official institutions	4,934	7,530	4,348	6,755	5,454	5,649	6,717	5,192	6,703	7,264
103 Nonbank foreigners	10,050	10,475	10,767	14,948	14,435	14,564	16,558	17,745	17,636	18,303
104 Other liabilities	3,325	3,953	4,173	6,136	6,462	6,629	6,938	6,406	7,015	7,157
	Bahamas and Caymans									
105 **Total, all currencies**	**142,592**	**160,321**	**170,639**	**172,762**	**176,006**	**167,385**	**164,908**	**155,145**	**150,767**	**154,851**
106 Negotiable CDs	847	885	953	671	678	681	671	522	524	528
107 To United States	106,081	113,950	122,332	121,021	124,859	114,829	113,137	108,003	101,024	103,655
108 Parent bank	49,481	53,239	62,894	70,107	75,579	65,380	64,085	61,528	55,311	57,136
109 Other banks in United States	11,715	17,224	11,494	8,438	8,883	8,677	8,198	7,310	8,544	7,075
110 Nonbanks	44,885	43,487	47,944	42,476	40,397	40,772	40,854	39,165	37,169	39,444
111 To foreigners	34,400	43,815	45,161	47,521	47,382	48,974	48,726	44,314	46,741	48,410
112 Other branches of parent bank	12,631	19,185	23,686	23,352	23,414	24,911	25,110	20,778	22,446	25,535
113 Banks	8,617	10,769	8,336	9,137	8,823	8,439	8,059	7,983	8,617	8,154
114 Official institutions	2,719	1,504	1,074	1,131	1,097	1,528	1,290	1,078	1,247	962
115 Nonbank foreigners	10,433	12,357	12,065	13,901	14,048	14,096	14,267	14,475	14,431	13,759
116 Other liabilities	1,264	1,671	2,193	3,549	3,087	2,901	2,374	2,306	2,478	2,258
117 **Total payable in U.S. dollars**	**138,774**	**152,927**	**162,950**	**167,835**	**171,250**	**162,141**	**160,212**	**150,758**	**146,259**	**149,707**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1987	1988	1989		1990				
			Nov.	Dec.	Jan.[r]	Feb.	Mar.	Apr.	May[p]
1 **Total**[1]	**259,556**	**299,782**	**315,065**[r]	**308,303**[r]	**305,433**	**300,030**[r]	**297,493**	**303,828**[r]	**303,241**
By type									
2 Liabilities reported by banks in the United States[2]	31,838	31,519	39,104[r]	36,486[r]	34,303	33,633[r]	35,208	36,382[r]	35,786
3 U.S. Treasury bills and certificates[3]	88,829	103,722	82,474	76,985	76,157	73,099	73,039	69,454	72,322
U.S. Treasury bonds and notes									
4 Marketable	122,432	149,056	174,778	176,084	176,411	174,986	171,130	176,722	173,875
5 Nonmarketable[4]	300	523	564	568	572	576	580	3,596	3,620
6 U.S. securities other than U.S. Treasury securities[5]	16,157	14,962	18,145	18,180	17,990	17,736	17,536	17,674	17,638
By area									
7 Western Europe[1]	124,620	125,097	137,760	134,907	135,688	134,050[r]	136,807	139,829[r]	139,776
8 Canada	4,961	9,584	9,130	9,553	9,368	7,976	8,386	7,880	6,621
9 Latin America and Caribbean	8,328	10,099	9,893[r]	8,809[r]	7,943	8,327[r]	9,229[r]	9,147	9,239
10 Asia	116,098	145,608	149,759[r]	147,064[r]	143,966	140,924	134,700	136,514	135,113
11 Africa	1,402	1,369	1,020[r]	995[r]	817	990[r]	902[r]	861	1,040
12 Other countries[6]	4,147	7,501	6,941	6,406	7,077	7,187	6,889	6,000	7,829

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1986	1987	1988	1989			1990
				June[r]	Sept.[r]	Dec.[r]	Mar.[r]
1 Banks' own liabilities	29,702	55,438	74,980	69,213	73,755	67,805	63,105
2 Banks' own claims	26,180	51,271	68,983	62,234	70,328	65,127	60,999
3 Deposits	14,129	18,861	25,100	23,866	22,960	20,489	21,456
4 Other claims	12,052	32,410	43,884	38,368	47,368	44,638	39,543
5 Claims of banks' domestic customers[2]	2,507	551	364	723	2,558	3,102	1,190

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1987	1988	1989	1989		1990				
				Nov.r	Dec.	Jan.r	Feb.	Mar.	Apr.r	May[p]
1 **All foreigners**	**618,874**	**685,339**	**736,112r**	**731,849**	**736,112r**	**705,383**	**696,813r**	**704,185r**	**703,879**	**716,455**
2 Banks' own liabilities	470,070	514,532	576,732r	565,652	576,732r	544,172	538,567r	541,694r	546,045	551,142
3 Demand deposits	22,383	21,863	22,090r	21,538	22,090r	19,982	20,894r	20,518r	21,140	20,905
4 Time deposits[2]	148,374	152,164	168,744r	165,517	168,744r	159,144	156,304r	154,725r	148,832	151,020
5 Other[3]	51,677	51,366	67,569r	66,632	67,569r	62,807	58,484r	60,433r	65,949	65,144
6 Own foreign offices[4]	247,635	289,138	318,330r	311,964	318,330r	302,238	302,884r	306,017r	310,123	314,073
7 Banks' custody liabilities[5]	148,804	170,807	159,380	166,197	159,380	161,211	158,246	162,492	157,835	165,313
8 U.S. Treasury bills and certificates[6]	101,743	115,056	91,100	97,018	91,100	90,703	88,032	88,015	83,644	88,907
9 Other negotiable and readily transferable instruments[7]	16,776	16,426	19,526	19,297	19,526	18,658	18,655	21,031r	20,251	20,669
10 Other	30,285	39,325	48,754	49,882	48,754	51,851	51,560	53,446r	53,939	55,737
11 **Nonmonetary international and regional organizations[8]**	**4,464**	**3,224**	**4,772**	**5,771**	**4,772**	**4,671**	**3,765r**	**4,896**	**5,728**	**4,558**
12 Banks' own liabilities	2,702	2,527	3,156	4,453	3,156	3,071	2,218	3,334	3,781	2,913
13 Demand deposits	124	71	96	62	96	36	55	156	52	28
14 Time deposits[2]	1,538	1,183	927	1,075	927	1,042	624	1,137	2,025	773
15 Other[3]	1,040	1,272	2,133	3,316	2,133	1,993	1,539	2,041	1,705	2,112
16 Banks' custody liabilities[5]	1,761	698	1,616	1,318	1,616	1,599	1,547	1,562	1,947	1,645
17 U.S. Treasury bills and certificates[6]	265	57	197	321	197	102	160	191	190	174
18 Other negotiable and readily transferable instruments[7]	1,497	641	1,417	996	1,417	1,497	1,387	1,371	1,740	1,463
19 Other	0	0	2	0	2	0	0	0	17	8
20 **Official institutions[9]**	**120,667**	**135,241**	**113,471r**	**121,578**	**113,471r**	**110,459**	**106,732r**	**108,247**	**105,836**	**108,108**
21 Banks' own liabilities	28,703	27,109	31,098r	34,133	31,098r	30,755	30,443r	31,366	33,604	32,433
22 Demand deposits	1,757	1,917	2,196r	1,834	2,196r	1,601	1,654r	1,826	2,066	1,644
23 Time deposits[2]	12,843	9,767	10,550r	11,237	10,550r	9,769	10,658	9,704	10,959	11,110
24 Other[3]	14,103	15,425	18,351	21,063	18,351	19,385	18,132	19,836	20,579	19,679
25 Banks' custody liabilities[5]	91,965	108,132	82,373	87,444	82,373	79,704	76,289	76,881	72,231	75,674
26 U.S. Treasury bills and certificates[6]	88,829	103,722	76,985	82,474	76,985	76,157	73,099	73,039	69,454	72,322
27 Other negotiable and readily transferable instruments[7]	2,990	4,130	5,028	4,845	5,028	3,459	2,892	3,671	2,605	3,158
28 Other	146	280	361	125	361	88	298	171	173	195
29 **Banks[10]**	**414,280**	**459,523**	**514,251r**	**507,132**	**514,251r**	**491,782**	**484,881r**	**490,793r**	**493,997**	**504,140**
30 Banks' own liabilities	371,665	409,501	453,737r	444,253	453,737r	427,414	421,392r	422,578r	425,149	431,116
31 Unaffiliated foreign banks	124,030	120,362	135,407r	132,289	135,407r	125,175	118,508r	116,561r	115,026	117,043
32 Demand deposits	10,898	9,948	10,339	10,736	10,339	9,523	10,072r	9,625	9,863	9,671
33 Time deposits[2]	79,717	80,189	90,557r	86,827	90,557r	79,518	74,873r	75,296r	68,568	71,148
34 Other[3]	33,415	30,226	34,511r	34,725	34,511r	36,133	33,563r	31,640r	36,596	36,223
35 Own foreign offices[4]	247,635	289,138	318,330r	311,964	318,330r	302,238	302,884r	306,017r	310,123	314,073
36 Banks' custody liabilities[5]	42,615	50,022	60,514	62,879	60,514	64,369	63,489	68,215	68,848	73,024
37 U.S. Treasury bills and certificates[6]	9,134	7,602	9,367	9,670	9,367	9,614	9,342	9,359	9,374	11,578
38 Other negotiable and readily transferable instruments[7]	5,392	5,725	5,124	4,858	5,124	5,090	4,918	7,611r	7,633	7,942
39 Other	28,089	36,694	46,023	48,351	46,023	49,665	49,229	51,244r	51,841	53,504
40 **Other foreigners**	**79,463**	**87,351**	**103,618r**	**97,368**	**103,618r**	**98,471**	**101,434r**	**100,248r**	**98,318**	**99,650**
41 Banks' own liabilities	67,000	75,396	88,742r	82,812	88,742r	82,932	84,513r	84,415r	83,510	84,681
42 Demand deposits	9,604	9,928	9,458r	8,907	9,458r	8,821	9,114r	8,911r	9,159	9,561
43 Time deposits[2]	54,277	61,025	66,711r	66,378	66,711r	68,815	70,148r	68,588r	67,281	67,989
44 Other[3]	3,119	4,443	12,573	7,527	12,573	5,295	5,251r	6,915	7,069	7,130
45 Banks' custody liabilities[5]	12,463	11,956	14,877	14,556	14,877	15,539	16,921	15,834	14,809	14,969
46 U.S. Treasury bills and certificates[6]	3,515	3,675	4,551	4,553	4,551	4,830	5,431	5,425	4,627	4,834
47 Other negotiable and readily transferable instruments[7]	6,898	5,929	7,958	8,598	7,958	8,612	9,457	8,378	8,273	8,106
48 Other	2,050	2,351	2,368	1,405	2,368	2,098	2,033	2,031	1,909	2,030
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	7,314	6,425	7,203	7,050	7,203	8,576	8,457	7,634	7,183	7,161

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks. Data exclude "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17—Continued

Area and country	1987	1988	1989r	1989 Nov.r	1989 Dec.r	1990 Jan.r	1990 Feb.r	1990 Mar.r	1990 Apr.r	1990 Mayp
1 **Total**	**618,874**	**685,339**	**736,112**	**731,849**	**736,112**	**705,383**	**696,813**	**704,185**	**703,879**	**716,455**
2 **Foreign countries**	**614,411**	**682,115**	**731,340**	**726,078**	**731,340**	**700,713**	**693,048**	**699,289**	**698,151**	**711,897**
3 Europe	234,641	231,912	237,453	242,675	237,453	231,067	224,715	224,907	229,579	236,429
4 Austria	920	1,155	1,233	1,475	1,233	1,422	1,817	1,764	1,923	1,373
5 Belgium-Luxembourg	9,347	10,022	10,611	10,420	10,611	11,357	11,400	11,978	9,662	9,605
6 Denmark	760	2,200	1,415	1,918	1,415	1,240	1,244	1,760	2,271	2,152
7 Finland	377	285	570	577	570	684	614	431	464	314
8 France	29,835	24,777	26,903	26,029	26,903	22,992	21,850	21,921	24,263	23,100
9 Germany	7,022	6,772	7,578	9,145	7,578	7,584	8,718	7,488	8,758	7,890
10 Greece	689	672	1,017	1,030	1,017	1,092	1,024	906	879	860
11 Italy	12,073	14,599	16,169	14,686	16,169	13,051	11,977	12,728	14,138	16,347
12 *Netherlands*	*5,014*	*5,316*	*6,613*	7,259	6,613	7,733	8,226	9,454	7,731	8,165
13 Norway	1,362	1,559	2,401	1,954	2,401	1,256	997	2,619	1,453	1,596
14 Portugal	801	903	2,407	2,251	2,407	2,381	2,285	2,385	2,354	2,359
15 Spain	2,621	5,494	4,364	4,911	4,364	5,424	4,280	4,911	4,234	4,535
16 Sweden	1,379	1,284	1,491	1,921	1,491	2,303	1,468	1,574	1,889	1,837
17 Switzerland	33,766	34,199	34,496	31,714	34,496	33,283	33,036	33,964	33,488	35,300
18 Turkey	703	1,012	1,818	1,373	1,818	1,048	886	1,039	1,432	2,007
19 United Kingdom	116,852	111,811	102,362	108,940	102,362	102,282	99,749	96,718	99,367	104,257
20 Yugoslavia	710	529	1,474	1,017	1,474	1,349	1,402	1,613	1,599	1,934
21 Other Western Europe[1]	9,798	8,598	13,563	15,170	13,563	13,220	12,088	10,214	11,797	10,967
22 U.S.S.R	32	138	350	286	350	229	376	141	446	158
23 Other Eastern Europe[2]	582	591	619	600	619	1,138	1,277	1,299	1,431	1,674
24 Canada	30,095	21,062	18,864	18,246	18,864	19,246	21,329	18,536	19,480	19,849
25 Latin America and Caribbean	220,372	271,146	310,514	299,596	310,514	300,601	305,620	314,575	310,389	317,068
26 Argentina	5,006	7,804	7,304	7,809	7,304	7,380	7,496	8,036	8,236	8,343
27 Bahamas	74,767	86,863	98,932	96,090	98,932	95,513	94,627	98,003	89,803	98,154
28 Bermuda	2,344	2,621	2,884	2,638	2,884	2,539	2,239	2,308	2,812	2,494
29 Brazil	4,005	5,314	6,334	6,317	6,334	6,679	7,128	7,280	6,720	6,087
30 British West Indies	81,494	113,840	138,263	129,436	138,263	131,959	135,940	141,075	145,118	144,051
31 Chile	2,210	2,936	3,212	3,102	3,212	3,052	3,134	3,261	3,408	3,517
32 Colombia	4,204	4,374	4,653	4,806	4,653	4,435	4,610	4,510	4,404	4,471
33 Cuba	12	10	10	15	10	31	10	9	9	10
34 Ecuador	1,082	1,379	1,391	1,343	1,391	1,232	1,325	1,337	1,338	1,367
35 Guatemala	1,082	1,195	1,312	1,309	1,312	1,338	1,362	1,403	1,451	1,473
36 Jamaica	160	269	209	191	209	204	217	245	224	215
37 Mexico	14,480	15,185	15,399	15,013	15,399	14,773	15,802	15,246	15,066	15,097
38 Netherlands Antilles	4,975	6,420	6,310	6,287	6,310	6,192	6,470	6,412	6,460	6,806
39 Panama	7,414	4,353	4,361	4,537	4,361	4,543	4,743	4,766	4,749	4,539
40 Peru	1,275	1,671	1,984	1,946	1,984	1,927	1,975	1,836	1,703	1,533
41 Uruguay	1,582	1,898	2,284	2,335	2,284	2,419	2,397	2,513	2,575	2,560
42 Venezuela	9,048	9,147	9,468	9,857	9,468	9,832	9,615	9,871	9,643	9,717
43 Other	5,234	5,868	6,205	6,565	6,205	6,554	6,530	6,464	6,668	6,635
44 Asia	121,288	147,838	156,128	151,877	156,128	141,600	132,085	132,744	130,810	128,772
China										
45 Mainland	1,162	1,895	1,772	1,570	1,772	1,681	1,470	1,573	1,840	1,803
46 Taiwan	21,503	26,058	19,565	21,318	19,565	19,151	17,901	15,552	15,414	15,153
47 Hong Kong	10,180	12,248	12,395	12,237	12,395	11,824	11,115	11,569	12,180	12,650
48 India	582	699	780	990	780	907	762	1,033	1,013	1,148
49 Indonesia	1,404	1,180	1,281	1,306	1,281	1,061	1,174	1,545	1,560	1,192
50 Israel	1,292	1,461	1,243	1,096	1,243	1,039	894	1,497	1,310	1,213
51 Japan	54,322	74,015	81,183	75,498	81,183	70,223	65,127	66,078	65,548	62,075
52 Korea	1,637	2,541	3,214	3,530	3,214	2,617	2,562	2,320	2,109	2,013
53 Philippines	1,085	1,163	1,764	1,275	1,764	1,150	1,263	1,198	1,176	1,097
54 Thailand	1,345	1,236	2,093	1,909	2,093	2,381	2,524	1,930	1,595	1,973
55 Middle-East oil-exporting countries[3]	13,988	12,083	13,369	13,623	13,369	13,262	12,558	12,450	11,645	13,048
56 Other	12,788	13,260	17,468	17,527	17,468	16,305	14,735	15,999	15,421	15,406
57 Africa	3,945	3,991	3,823	3,772	3,823	3,627	3,778	3,644	3,722	3,777
58 Egypt	1,151	911	686	637	686	640	722	601	594	646
59 Morocco	194	68	78	76	78	86	95	80	111	86
60 South Africa	202	437	205	293	205	257	261	277	236	241
61 Zaire	67	85	86	60	86	82	77	74	70	66
62 Oil-exporting countries[4]	1,014	1,017	1,120	1,120	1,120	993	1,110	1,048	936	1,016
63 Other	1,316	1,474	1,648	1,586	1,648	1,570	1,513	1,563	1,775	1,722
64 Other countries	4,070	6,165	4,559	9,913	4,559	4,571	5,521	4,883	4,173	6,002
65 Australia	3,327	5,293	3,867	9,141	3,867	3,891	4,798	3,994	3,469	5,250
66 All other	744	872	692	771	692	680	723	889	703	751
67 Nonmonetary international and regional organizations	4,464	3,224	4,772	5,771	4,772	4,671	3,765	4,896	5,728	4,558
68 International[5]	2,830	2,503	3,825	4,635	3,825	3,599	2,765	3,634	4,147	3,393
69 Latin American regional	1,272	589	684	586	684	857	655	949	1,123	912
70 Other regional[6]	362	133	263	551	263	214	345	313	458	253

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.
2. Comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Excludes "holdings of dollars" of the International Monetary Fund.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1987	1988	1989	1989 Nov.	1989 Dec.r	1990 Jan.r	1990 Feb.r	1990 Mar.r	1990 Apr.r	1990 Mayp
1 **Total**	**459,877**	**491,165**	**533,763r**	**535,105r**	**533,763**	**511,739**	**499,176**	**489,951**	**490,521**	**490,677**
2 **Foreign countries**	**456,472**	**489,094**	**530,324r**	**532,118r**	**530,324**	**507,246**	**495,102**	**486,158**	**486,505**	**486,695**
3 Europe	102,348	116,928	118,885r	112,050r	118,885	105,603	104,162	104,191	104,989	103,618
4 Austria	793	483	415	559	415	658	429	500	592	431
5 Belgium-Luxembourg	9,397	8,515	6,478	6,606	6,478	6,668	7,063	6,358	6,330	6,754
6 Denmark	717	483	582	609	582	664	635	608	750	1,069
7 Finland	1,010	1,065	1,027	1,129	1,027	1,224	1,218	1,153	1,025	931
8 France	13,548	13,243	16,146	16,058r	16,146	15,839	16,392	15,631	16,087	16,224
9 Germany	2,039	2,329	2,865	2,657	2,865	1,990	2,762	2,783	2,476	3,037
10 Greece	462	433	788	702r	788	735	773	664	622	597
11 Italy	7,460	7,936	6,662	5,718	6,662	4,934	5,377	5,010	4,230	4,758
12 Netherlands	2,619	2,541	1,904	2,259	1,904	1,659	1,567	2,182	2,027	1,968
13 Norway	934	455	609	635	609	600	672	777	918	738
14 Portugal	477	261	376	275	376	309	288	273	381	407
15 Spain	1,853	1,823	1,930	1,840	1,930	2,790	2,040	2,240	1,726	1,887
16 Sweden	2,254	1,977	1,773	2,555	1,773	2,718	2,158	2,236	2,206	2,711
17 Switzerland	2,718	3,895	6,141	4,942r	6,141	4,835	4,922	5,056	4,826	4,999
18 Turkey	1,680	1,233	1,071r	1,066r	1,071	1,087	1,088	1,123	1,120	1,724
19 United Kingdom	50,823	65,706	65,388r	59,940r	65,388	54,462	52,121	52,993	55,439	51,710
20 Yugoslavia	1,700	1,390	1,329	1,288r	1,329	1,243	1,158	1,157	1,121	1,128
21 Other Western Europe[2]	619	1,152	1,302	1,253r	1,302	1,133	1,271	1,183	970	786
22 U.S.S.R.	389	1,255	1,179r	1,075	1,179	1,192	1,322	1,356	1,322	945
23 Other Eastern Europe[3]	852	754	921	883	921	864	905	907	820	817
24 Canada	25,368	18,889	15,427r	15,515r	15,427	16,694	16,768	15,082	15,199	16,320
25 Latin America and Caribbean	214,789	214,264	230,353r	232,670r	230,353	224,116	220,258	212,902	202,761	208,110
26 Argentina	11,996	11,826	9,270r	10,294r	9,270	12,117	8,718	8,189	8,025	7,692
27 Bahamas	64,587	66,954	77,921r	77,805r	77,921	70,102	71,891	69,095	63,927	70,296
28 Bermuda	471	483	1,315	841	1,315	485	401	425	443	800
29 Brazil	25,897	25,735	23,749r	24,565r	23,749	23,503	23,210	21,884	21,849	21,828
30 British West Indies	50,042	55,888	68,664r	69,519r	68,664	70,889	70,048	72,329	67,555	67,357
31 Chile	6,308	5,217	4,353	4,485r	4,353	4,212	4,208	4,079	3,714	3,626
32 Colombia	2,740	2,944	2,784r	2,784	2,784	2,530	2,610	2,720	2,649	2,626
33 Cuba	1	1	1	1	1	0	0	0	0	0
34 Ecuador	2,286	2,075	1,688r	1,858	1,688	1,588	1,570	1,536	1,527	1,503
35 Guatemala[4]	144	198	197	190	197	213	200	208	207	206
36 Jamaica[4]	188	212	297	260	297	284	274	265	260	262
37 Mexico	29,532	24,637	23,381r	23,509r	23,381	22,027	21,400	16,798	17,254	17,040
38 Netherlands Antilles	980	1,306	1,921	1,099	1,921	1,764	1,702	1,692	1,759	1,645
39 Panama	4,744	2,521	1,740	1,792	1,740	1,748	1,688	1,732	1,743	1,653
40 Peru	1,329	1,013	771	836	771	750	752	733	721	664
41 Uruguay	963	910	928	915	928	932	935	926	886	876
42 Venezuela	10,843	10,733	9,647r	10,129r	9,647	9,289	8,956	8,528	8,423	8,284
43 Other Latin America and Caribbean	1,738	1,612	1,726	1,787	1,726	1,682	1,695	1,764	1,818	1,751
44 Asia	106,096	130,881	157,416r	159,219r	157,416	152,452	145,033	145,675	155,408	150,172
China										
Mainland	968	762	634	610	634	620	619	599	674	516
46 Taiwan	4,592	4,184	2,776	2,702	2,776	2,157	1,824	2,016	1,890	1,942
47 Hong Kong	8,218	10,143	11,128r	10,465r	11,128	7,696	6,605	7,418	8,965	9,714
48 India	510	560	621	637	621	625	892	721	588	579
49 Indonesia	580	674	651	655	651	641	611	604	560	599
50 Israel	1,363	1,136	813	758	813	749	752	737	721	710
51 Japan	68,658	90,149	111,270r	114,928r	111,270	113,387	108,352	108,527	117,487	108,204
52 Korea	5,148	5,213	5,296	5,838	5,296	5,156	4,880	5,016	4,964	5,104
53 Philippines	2,071	1,876	1,344	1,498	1,344	1,297	1,163	1,204	1,221	1,351
54 Thailand	496	848	1,140	1,064	1,140	1,172	1,052	992	1,070	1,202
55 Middle East oil-exporting countries[5]	4,858	6,213	10,149	8,675	10,149	8,663	9,250	8,774	8,376	9,572
56 Other Asia	8,635	9,122	11,594	11,387	11,594	10,290	9,035	9,066	8,894	10,679
57 Africa	4,742	5,718	5,890r	5,914	5,890	5,935	5,967	5,984	5,953	5,940
58 Egypt	521	507	502	471	502	470	493	474	491	488
59 Morocco	542	511	559	547	559	575	588	581	596	582
60 South Africa	1,507	1,681	1,628	1,686	1,628	1,619	1,629	1,648	1,632	1,639
61 Zaire	15	17	16	16	16	16	17	25	19	20
62 Oil-exporting countries[6]	1,003	1,523	1,648r	1,641	1,648	1,667	1,749	1,749	1,705	1,697
63 Other	1,153	1,479	1,537	1,553	1,537	1,588	1,491	1,507	1,509	1,515
64 Other countries	3,129	2,413	2,354	6,750	2,354	2,446	2,914	2,324	2,195	2,535
65 Australia	2,100	1,520	1,781	6,174	1,781	1,815	2,015	1,632	1,551	1,657
66 All other	1,029	894	573	576	573	631	900	692	644	878
67 Nonmonetary international and regional organizations[7]	3,404	2,071	3,439r	2,987	3,439	4,493	4,074	3,794	4,016	3,982

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
3. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
4. Included in "Other Latin America and Caribbean" through March 1978.
5. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
6. Comprises Algeria, Gabon, Libya, and Nigeria.
7. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1987	1988	1989r	1989 Nov.r	1989 Dec.r	1990 Jan.r	1990 Feb.r	1990 Mar.r	1990 Apr.r	1990 Mayp
1 **Total**	**497,635**	**538,689**	**590,251**	....	**590,251**	....	....	**541,727**	....	....
2 Banks' own claims on foreigners	459,877	491,165	533,763	535,105	533,763	511,739	499,176	489,951	490,521	490,677
3 Foreign public borrowers	64,605	62,658	59,877	62,947	59,877	58,969	56,909	53,920	53,244	52,595
4 Own foreign offices[2]	224,727	257,436	295,948	296,375	295,948	289,826	283,970	274,861	274,272	274,999
5 Unaffiliated foreign banks	127,609	129,425	134,848	134,228	134,848	123,647	120,114	123,003	125,170	125,770
6 Deposits	60,687	65,898	78,005	76,034	78,005	69,522	67,121	69,977	71,770	72,192
7 Other	66,922	63,527	56,843	58,193	56,843	54,125	52,993	53,027	53,400	53,577
8 All other foreigners	42,936	41,646	43,090	41,556	43,090	39,297	38,184	38,167	37,835	37,312
9 Claims of banks' domestic customers[3]	37,758	47,524	56,488	....	56,488	....	....	51,776	....	....
10 Deposits	3,692	8,289	12,834	....	12,834	....	....	16,788	....	....
11 Negotiable and readily transferable instruments[4]	26,696	25,700	29,063	....	29,063	....	....	20,634	....	....
12 Outstanding collections and other claims	7,370	13,535	14,591	....	14,591	....	....	14,354	....	....
13 MEMO: Customer liability on acceptances	23,107	19,596	12,753	....	12,753	....	....	13,563	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	40,909	45,502r	45,309	47,265	45,309	43,932	45,263	41,646	38,628	n.a.

1. Data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
3. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
4. Principally negotiable time certificates of deposit and bankers acceptances.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 *Bulletin*, p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1986	1987	1988	1989 June'	1989 Sept.r	1989 Dec.r	1990 Mar.
1 **Total**	**232,295**	**235,130**	**233,184**	**232,277**	**234,112**	**237,474**	**213,845**
By borrower							
2 Maturity of 1 year or less[2]	160,555	163,997	172,634	167,904	169,279	177,223	160,093
3 Foreign public borrowers	24,842	25,889	26,562	24,343	24,102	23,483	22,725
4 All other foreigners	135,714	138,108	146,071	143,561	145,178	153,741	137,368
5 Maturity over 1 year[2]	71,740	71,133	60,550	64,373	64,832	60,251	53,751
6 Foreign public borrowers	39,103	38,625	35,291	39,033	39,537	35,822	30,218
7 All other foreigners	32,637	32,507	25,259	25,340	25,295	24,429	23,533
By area							
Maturity of 1 year or less[2]							
8 Europe	61,784	59,027	55,909	58,398	53,122	53,300	48,368
9 Canada	5,895	5,680	6,282	5,693	6,236	5,886	5,694
10 Latin America and Caribbean	56,271	56,535	57,991	50,479	52,227	52,929	46,719
11 Asia	29,457	35,919	46,224	45,600	50,445	57,766	51,747
12 Africa	2,882	2,833	3,337	3,601	3,514	3,225	3,169
13 All other[3]	4,267	4,003	2,891	4,134	3,735	4,118	4,396
Maturity of over 1 year[2]							
14 Europe	6,737	6,696	4,666	4,561	6,065	4,595	4,407
15 Canada	1,925	2,661	1,922	2,592	2,459	2,353	2,702
16 Latin America and Caribbean	56,719	53,817	47,547	50,537	49,046	45,844	37,835
17 Asia	4,043	3,830	3,613	3,803	4,203	4,142	5,479
18 Africa	1,539	1,747	2,301	2,408	2,475	2,633	2,764
19 All other[3]	777	2,381	501	472	584	684	564

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Remaining time to maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1986	1987	1988				1989				1990
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**386.5**	**382.4**	**370.9**	**351.9**	**354.0**	**346.3**	**346.1[r]**	**340.0[r]**	**346.0[r]**	**337.8[r]**	**336.2[r]**
2 G-10 countries and Switzerland	156.6	159.7	156.3	150.7	148.7	152.7	145.4[r]	145.1[r]	146.4[r]	152.7[r]	146.5[r]
3 Belgium-Luxembourg	8.4	10.0	9.1	9.2	9.5	9.0	8.6	7.8	6.9	6.3	6.5
4 France	13.6	13.7	11.8	10.9	10.3	10.5	11.2	10.8	11.1	11.7	10.5
5 Germany	11.6	12.6	11.8	10.6	9.2	10.3	10.2	10.6	10.4	10.5	11.2
6 Italy	9.0	7.5	7.4	6.3	5.6	6.8	5.2	6.1	6.8	7.4	6.0
7 Netherlands	4.6	4.1	3.3	3.2	2.9	2.7	2.8	2.8	2.4	3.1	3.1
8 Sweden	2.4	2.1	2.1	1.9	1.9	1.8	2.3	1.8	2.0	2.0	2.1
9 Switzerland	5.8	5.6	5.1	5.6	5.2	5.4	5.1	5.4	6.1	7.1	6.3[r]
10 United Kingdom	70.9	68.8	71.7	70.4	67.6	66.2	65.6[r]	64.5[r]	63.7[r]	67.0[r]	63.8[r]
11 Canada	5.2	5.5	4.7	5.3	4.9	5.0	4.0	5.1	5.9	5.4[r]	4.8
12 Japan	25.1	29.8	29.2	27.3	31.6	34.9	30.5[r]	30.2[r]	31.0[r]	32.2[r]	32.1
13 Other developed countries	26.1	26.4	26.4	24.0	23.0	21.0	21.1[r]	21.2[r]	21.0[r]	20.7	23.1
14 Austria	1.7	1.9	1.6	1.6	1.6	1.5	1.4	1.7	1.5	1.5	1.5
15 Denmark	1.7	1.7	1.4	1.1	1.2	1.1	1.1	1.4	1.1	1.1	1.1
16 Finland	1.4	1.2	1.0	1.2	1.3	1.1	1.0	1.0	1.1	1.0	1.1
17 Greece	2.3	2.0	2.3	2.1	2.1	1.8	2.1	2.3	2.4[r]	2.5	2.6
18 Norway	2.4	2.2	1.9	1.9	2.0	1.8	1.6	1.8	1.4	1.4	1.7
19 Portugal	.9	.6	.5	.4	.4	.4	.4	.6	.4	.4	.4
20 Spain	5.8	8.0	8.9	7.2	6.3	6.2	6.6	6.2	6.9	7.1	8.3
21 Turkey	2.0	2.0	2.0	1.8	1.6	1.5	1.3	1.1	1.2[r]	1.2	1.3
22 Other Western Europe	1.5	1.6	1.9	1.7	1.9	1.3	1.1	1.1	1.0	.7	1.1
23 South Africa	3.0	2.9	2.8	2.8	2.7	2.4	2.2	2.1	2.1	2.0	2.0
24 Australia	3.4	2.4	2.0	2.2	1.8	1.8	2.4	1.9	2.1	1.6	2.1
25 OPEC countries[3]	19.4	17.4	17.6	17.0	17.9	16.6	16.2	16.1[r]	16.2	17.1[r]	15.7[r]
26 Ecuador	2.2	1.9	1.9	1.8	1.8	1.7	1.6	1.5	1.5	1.3	1.2
27 Venezuela	8.7	8.1	8.1	8.0	7.9	7.9	7.9	7.5	7.4[r]	7.0[r]	6.1
28 Indonesia	2.5	1.9	1.8	1.8	1.8	1.7	1.7	1.9	2.0	2.0	2.1
29 Middle East countries	4.3	3.6	3.9	3.5	4.6	3.4	3.3	3.4	3.5	5.0	4.4
30 African countries	1.8	1.9	1.9	1.9	1.9	1.9	1.7	1.6	1.9	1.7[r]	1.8[r]
31 Non-OPEC developing countries	99.6	97.8	94.4	91.8	87.2	85.3	85.9[r]	83.4[r]	81.2[r]	77.5[r]	71.1[r]
Latin America											
32 Argentina	9.5	9.5	9.6	9.5	9.3	9.0	8.5[r]	7.9	7.6	6.3[r]	5.5
33 Brazil	25.3	24.7	23.8	23.7	22.4	22.4	22.8[r]	22.1[r]	20.9[r]	19.0[r]	17.5
34 Chile	7.1	6.9	6.6	6.4	6.3	5.6	5.7	5.2[r]	4.9	4.6	4.3
35 Colombia	2.1	2.0	2.0	2.2	2.1	2.1	1.9	1.7	1.6	1.8	1.8
36 Mexico	24.0	23.5	22.4	21.1	20.4	18.8	18.3[r]	17.7[r]	17.2[r]	17.7[r]	15.2[r]
37 Peru	1.4	1.1	1.1	.9	.8	.8	.7	.6	.6	.6	.5
38 Other Latin America	3.1	2.8	2.8	2.6	2.5	2.6	2.7	2.6	2.9	2.8	2.7
Asia											
China											
39 Mainland	.4	.3	.4	.4	.2	.3	.5	.3	.3	.3	.3
40 Taiwan	4.9	8.2	6.1	4.9	3.2	3.7	4.9	5.2	5.0	4.5	3.8
41 India	1.2	1.9	2.1	2.3	2.0	2.1	2.6	2.4	2.7	3.1	3.5
42 Israel	1.5	1.0	1.0	1.0	1.0	1.2	.9	.8	.7	.7	.6
43 Korea (South)	6.7	5.0	5.7	5.9	6.0	6.1	6.1	6.6	6.5	5.9	5.3
44 Malaysia	2.1	1.5	1.5	1.5	1.7	1.6	1.7	1.6	1.7	1.7	1.8
45 Philippines	5.4	5.2	5.1	4.9	4.7	4.5	4.4	4.4	4.0	4.1	3.7
46 Thailand	.9	.7	1.0	1.1	1.2	1.1	1.0	1.0	1.3	1.3	1.1
47 Other Asia	.7	.7	.7	.8	.8	.9	.8	.8	1.0	1.0	1.2
Africa											
48 Egypt	.7	.6	.5	.6	.5	.4	.5	.6	.5	.4	.4
49 Morocco	.9	.9	.9	.9	.8	.9	.9	.9	.8	.9	.9
50 Zaire	.1	.0	.1	.1	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[4]	1.6	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.0	1.0	.9
52 Eastern Europe	3.5	3.2	3.1	3.3	3.1	3.6	3.5	3.4	3.5	3.5	3.5
53 U.S.S.R.	.1	.3	.3	.4	.4	.7	.7	.6	.8	.7	.8
54 Yugoslavia	2.0	1.8	1.9	1.9	1.8	1.8	1.7	1.7	1.7	1.6	1.4
55 Other	1.4	1.1	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.3	1.3
56 Offshore banking centers	61.5	54.5	51.5	43.0	47.3	44.2	48.5	43.1	48.9	36.2[r]	43.0[r]
57 Bahamas	22.4	17.3	15.9	8.9	12.9	11.0	15.8	11.0	11.1	5.1[r]	9.3[r]
58 Bermuda	.6	.6	.8	1.0	.9	.9	1.1	.7	1.3	1.7	.9
59 Cayman Islands and other British West Indies	12.3	13.5	11.6	10.3	11.9	12.9	12.0	10.8	15.3	8.9[r]	10.9
60 Netherlands Antilles	1.8	1.2	1.3	1.2	1.2	1.0	.9	1.0	1.1	2.3	2.6
61 Panama[5]	4.0	3.7	3.2	3.0	2.6	2.5	2.2	1.9	1.5	1.4	1.3
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.1	11.2	11.3	11.6	10.5	9.6	9.6	10.4	10.7	9.7	9.8
64 Singapore	9.2	7.0	7.4	6.9	7.0	6.1	6.8	7.3	7.8	7.0	8.0[r]
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	19.8	23.2	21.5	22.2	26.7	22.6	25.0[r]	27.4	28.5	29.8[r]	33.1

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from \$50 million to \$150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. This group comprises the Organization of Petroleum Exporting Countries shown individually, other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates), and Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1986	1987	1988[r]	1988	1989				1990
				Dec.	Mar.	June	Sept.	Dec.	Mar.[p]
1 **Total**	**25,587**	**28,302**	**33,646**	**33,646[r]**	**37,384[r]**	**36,998[r]**	**35,584[r]**	**37,406[r]**	**41,218**
2 Payable in dollars	21,749	22,785	28,040	28,040[r]	31,594[r]	31,925[r]	30,746[r]	32,588[r]	32,837
3 Payable in foreign currencies	3,838	5,517	5,606	5,606	5,790	5,073	4,838	4,819[r]	8,381
By type									
4 Financial liabilities	12,133	12,424	15,130	15,130[r]	17,453[r]	17,124[r]	16,268[r]	17,524[r]	20,674
5 Payable in dollars	9,609	8,643	11,243	11,243[r]	13,373[r]	13,265[r]	12,440[r]	13,631[r]	13,369
6 Payable in foreign currencies	2,524	3,781	3,888	3,888	4,080	3,860	3,829	3,893	7,305
7 Commercial liabilities	13,454	15,878	18,516	18,516[r]	19,931[r]	19,874[r]	19,315[r]	19,882[r]	20,544
8 Trade payables	6,450	7,305	6,466	6,466[r]	7,030[r]	6,350[r]	6,812[r]	7,206[r]	7,111
9 Advance receipts and other liabilities	7,004	8,573	12,050	12,050	12,901[r]	13,524[r]	12,503[r]	12,676	13,433
10 Payable in dollars	12,140	14,142	16,797	16,797[r]	18,220[r]	18,661[r]	18,306[r]	18,957[r]	19,468
11 Payable in foreign currencies	1,314	1,737	1,719	1,719	1,711	1,213	1,009	925[r]	1,076
By area or country									
Financial liabilities									
12 Europe	7,917	8,320	9,918	9,918[r]	12,571[r]	11,404[r]	10,374[r]	10,697[r]	13,658
13 Belgium-Luxembourg	270	213	289	289	320	357	308	340	350
14 France	661	382	319	319[r]	224[r]	278	262	243	255
15 Germany	368	551	699	699[r]	741	838	809	736[r]	711
16 Netherlands	542	866	879	879	873[r]	834	853	946	870
17 Switzerland	646	558	1,033	1,033[r]	954	978	839	578	545
18 United Kingdom	5,140	5,557	6,533	6,533[r]	9,266[r]	7,939[r]	7,087[r]	7,582[r]	6,887
19 Canada	399	360	663	663	616	544	599	583	482
20 Latin America and Caribbean	1,944	1,189	1,239	1,239	677	1,216	1,315	1,226	1,807
21 Bahamas	614	318	184	184	189	165	186	157	237
22 Bermuda	4	0	0	0	0	0	0	17	0
23 Brazil	32	25	0	0	0	0	0	0	44
24 British West Indies	1,146	778	645	645	471	621	698	594	1,046
25 Mexico	22	13	1	1	15	17	4	6	5
26 Venezuela	0	0	0	0	0	0	0	0	0
27 Asia	1,805	2,451	3,306	3,306	3,583[r]	3,860[r]	3,878	4,916	4,618
28 Japan	1,398	2,042	2,563	2,563	2,825[r]	3,100[r]	3,130	4,064	3,577
29 Middle East oil-exporting countries[2]	8	8	3	3	1	12	2	2	3
30 Africa	1	4	1	1	5	3	4	2	3
31 Oil-exporting countries[3]	1	1	0	0	3	2	2	0	0
32 All other[4]	67	100	2	2	2	97	97	100	105
Commercial liabilities									
33 Europe	4,446	5,516	7,351	7,351[r]	7,965[r]	7,778[r]	8,319[r]	8,867[r]	9,078
34 Belgium-Luxembourg	101	132	170	170	134	114[r]	137[r]	178	233
35 France	352	426	455	455	579	535[r]	806[r]	872[r]	883
36 Germany	715	909	1,699	1,699	1,373[r]	1,190	1,183[r]	1,362[r]	1,143
37 Netherlands	424	423	591	591	670	688[r]	548[r]	699[r]	702
38 Switzerland	385	559	417	417	459[r]	447[r]	531[r]	621	583
39 United Kingdom	1,341	1,599	2,065	2,065	2,585	2,709	2,703[r]	2,599[r]	2,906
40 Canada	1,405	1,301	1,217	1,217	1,163	1,133[r]	1,189[r]	1,066[r]	1,124
41 Latin America and Caribbean	924	864	1,118	1,118	1,267	1,611[r]	1,053[r]	1,127	1,264
42 Bahamas	32	18	49	49	35	34	27	41	37
43 Bermuda	156	168	286	286	426	388	305	308	516
44 Brazil	61	46	95	95	103	541	113	100	117
45 British West Indies	49	19	34	34	31	42	30	27	18
46 Mexico	217	189	179	179	198	179[r]	187[r]	243	208
47 Venezuela	216	162	177	177	179	131[r]	107[r]	154	86
48 Asia	5,080	6,565	6,923	6,923	7,330[r]	6,957[r]	7,038[r]	6,953[r]	6,806
49 Japan	2,042	2,578	3,097	3,097	3,059	2,708[r]	2,674[r]	2,772[r]	2,624
50 Middle East oil-exporting countries[2,5]	1,679	1,964	1,386	1,386	1,526	1,431	1,406	1,346[r]	1,341
51 Africa	619	574	578	578	706	752[r]	639[r]	838	755
52 Oil-exporting countries[3]	197	135	202	202	272	253	246	300	248
53 All other[4]	980	1,057	1,328	1,328	1,500[r]	1,642[r]	1,077[r]	1,031	1,517

1. For a description of the changes in the International Statistics tables, see July 1979 *Bulletin*, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. *Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.*

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1986	1987	1988[r]	1988	1989				1990
				Dec.[r]	Mar.[r]	June[r]	Sept.[r]	Dec.[r]	Mar.[p]
1 **Total**	**36,265**	**30,964**	**33,842**	**33,842**	**31,608**	**34,282**	**32,022**	**31,011**	**30,278**
2 Payable in dollars	33,867	28,502	31,507	31,507	29,293	32,088	29,797	28,683	27,050
3 Payable in foreign currencies	2,399	2,462	2,335	2,335	2,315	2,193	2,225	2,328	3,228
By type									
4 Financial claims	26,273	20,363	21,843	21,843	19,616	21,808	19,116	17,326	17,062
5 Deposits	19,916	14,894	15,792	15,792	14,456	16,734	12,442	10,360	10,786
6 Payable in dollars	19,331	13,765	14,693	14,693	13,542	15,814	11,577	9,434	9,533
7 Payable in foreign currencies	585	1,128	1,099	1,099	914	921	865	926	1,253
8 Other financial claims	6,357	5,470	6,051	6,051	5,160	5,074	6,673	6,966	6,276
9 Payable in dollars	5,005	4,656	5,320	5,320	4,267	4,362	5,812	6,170	4,891
10 Payable in foreign currencies	1,352	814	731	731	893	713	862	796	1,386
11 Commercial claims	9,992	10,600	11,999	11,999	11,992	12,473	12,906	13,685	13,216
12 Trade receivables	8,783	9,535	10,924	10,924	10,730	11,042	11,421	12,073	11,623
13 Advance payments and other claims	1,209	1,065	1,075	1,075	1,262	1,432	1,485	1,612	1,593
14 Payable in dollars	9,530	10,081	11,494	11,494	11,485	11,913	12,408	13,079	12,626
15 Payable in foreign currencies	462	519	505	505	507	560	498	606	590
By area or country									
Financial claims									
16 Europe	10,744	9,531	10,276	10,276	8,848	8,614	7,507	6,830	7,577
17 Belgium-Luxembourg	41	7	18	18	22	161	166	13	22
18 France	138	332	226	226	233	198	209	153	198
19 Germany	116	102	138	138	171	199	147	194	510
20 Netherlands	151	350	348	348	384	297	292	303	305
21 Switzerland	185	65	217	217	260	67	111	90	124
22 United Kingdom	9,855	8,467	8,977	8,977	7,469	7,378	6,340	5,848	5,160
23 Canada	4,808	2,844	2,339	2,339	2,210	2,617	2,428	1,916	1,807
24 Latin America and Caribbean	9,291	7,012	8,122	8,122	7,465	9,351	8,278	7,428	6,819
25 Bahamas	2,628	1,994	1,838	1,838	2,171	1,881	1,707	1,513	1,582
26 Bermuda	6	7	19	19	25	33	33	7	4
27 Brazil	86	63	47	47	49	78	70	224	79
28 British West Indies	6,078	4,433	5,733	5,733	4,799	6,949	6,080	5,273	4,740
29 Mexico	174	172	151	151	117	114	105	94	152
30 Venezuela	21	19	21	21	25	31	36	20	21
31 Asia	1,317	879	830	830	951	1,109	801	829	769
32 Japan	999	605	561	561	627	640	440	439	423
33 Middle East oil-exporting countries[2]	7	8	5	5	8	8	7	8	7
34 Africa	85	65	106	106	89	80	75	140	67
35 Oil-exporting countries[3]	28	7	10	10	8	8	8	12	11
36 All other[4]	28	33	170	170	52	37	27	183	24
Commercial claims									
37 Europe	3,725	4,180	5,051	5,051	4,984	5,290	5,423	6,140	6,018
38 Belgium-Luxembourg	133	178	178	178	202	205	220	241	219
39 France	431	650	661	661	760	770	824	948	951
40 Germany	444	562	623	623	657	675	688	666	690
41 Netherlands	164	133	208	208	161	413	396	478	449
42 Switzerland	217	185	327	327	251	231	222	305	270
43 United Kingdom	999	1,073	1,323	1,323	1,300	1,371	1,396	1,550	1,689
44 Canada	934	936	974	974	1,114	1,181	1,278	1,045	1,089
45 Latin America and Caribbean	1,857	1,930	2,237	2,237	2,114	2,100	2,131	2,163	2,045
46 Bahamas	28	19	36	36	34	13	10	57	22
47 Bermuda	193	170	230	230	234	238	270	323	242
48 Brazil	234	226	298	298	277	314	232	285	227
49 British West Indies	39	26	22	22	23	30	33	36	38
50 Mexico	412	368	460	460	482	438	508	507	522
51 Venezuela	237	283	226	226	213	229	188	148	189
52 Asia	2,755	2,915	2,973	2,973	3,097	3,145	3,301	3,532	3,276
53 Japan	881	1,158	943	943	1,042	998	1,177	1,184	1,058
54 Middle East oil-exporting countries[2]	563	450	445	445	428	430	406	509	419
55 Africa	500	401	434	434	386	407	390	419	427
56 Oil-exporting countries[3]	139	144	122	122	95	111	80	108	89
57 All other[4]	222	238	331	331	297	350	381	386	361

1. For a description of the changes in the International Statistics tables, see July 1979 *Bulletin*, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1988	1989[r]	1990 Jan.–May	1989 Nov.	1989 Dec.[r]	1990 Jan.[r]	1990 Feb.[r]	1990 Mar.[r]	1990 Apr.[r]	1990 May[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	181,185	213,160	70,154	13,833[r]	15,413	13,747	13,463	16,430	11,457	15,057
2 Foreign sales	183,185	203,537	76,857	14,951[r]	16,870	14,130	13,692	19,117	12,356	17,562
3 **Net purchases, or sales (–)**	**–2,000**	**9,623**	**–6,704**	**–1,118[r]**	**–1,457**	**–383**	**–229**	**–2,687**	**–899**	**–2,505**
4 ***Foreign countries***	**–1,825**	**9,857**	**–6,815**	**–1,117[r]**	**–1,409**	**–353**	**–230**	**–2,733**	**–937**	**–2,562**
5 Europe	–3,350	278	–3,049	–1,655	–281	–183	–144	–990	–666	–1,067
6 France	–281	–708	–580	–296	–255	–155	–157	7	–85	–190
7 Germany	218	–830	97	–119	–41	41	3	105	6	–57
8 Netherlands	–535	167	–54	–34	–9	–18	–38	48	–25	–21
9 Switzerland	–2,243	–3,468	–1,493	–509	–442	–240	–242	–441	–221	–348
10 United Kingdom	–954	3,729	–1,126	–718	391	–275	183	–720	–99	–216
11 Canada	1,087	–845	–564	–138[r]	–458	–140	51	–163	–212	–101
12 Latin America and Caribbean	1,238	3,089	–435	–24	–478	–111	–178	–208	–27	89
13 Middle East[1]	–2,474	3,531	–836	303	69	–27	93	–425	116	–593
14 Other Asia	1,365	3,405	–1,678	342	–124	231	–30	–921	–55	–903
15 Japan	1,922	3,340	–1,543	310	–53	166	–104	–764	–92	–749
16 Africa	188	131	–34	19	9	2	–34	1	–2	0
17 Other countries	121	268	–218	37	–147	–125	12	–27	–91	13
18 **Nonmonetary international and regional organizations**	**–176**	**–234**	**111**	**–1**	**–48**	**–30**	**1**	**46**	**38**	**57**
BONDS[2]										
19 Foreign purchases	86,381	120,540	45,830	11,134[r]	13,703	9,464	10,297	9,248	8,355	8,467
20 Foreign sales	58,417	86,510	37,497	6,658[r]	9,331	7,810	7,780	8,061	7,499	6,347
21 **Net purchases, or sales (–)**	**27,964**	**34,031**	**8,334**	**4,476**	**4,372**	**1,654**	**2,517**	**1,186**	**856**	**2,120**
22 **Foreign countries**	**28,506**	**33,678**	**8,616**	**4,465[r]**	**4,319**	**2,054**	**2,491**	**1,026**	**850**	**2,195**
23 Europe	17,239	19,848	4,084	2,712	1,412	1,135	245	915	1,008	781
24 France	143	372	181	–14	6	118	9	5	–58	108
25 Germany	1,344	–238	–460	–117	–33	–114	–253	–15	–40	–39
26 Netherlands	1,514	850	–8	143	41	–43	15	–11	–2	33
27 Switzerland	505	–165	241	54	–277	157	58	–69	59	36
28 United Kingdom	13,084	18,459	4,249	2,328	1,937	1,132	475	1,009	1,158	475
29 Canada	711	1,116	1,386	–86	204	178	474	183	353	198
30 Latin America and Caribbean	1,931	3,686	2,608	539	492	493	883	313	411	508
31 Middle East[1]	–178	–182	473	–57	242	87	100	36	–2	251
32 Other Asia	8,900	9,063	–66	1,343	1,954	152	796	–461	–993	440
33 Japan	7,686	6,331	141	1,045	1,728	170	1,103	–419	–1,044	331
34 Africa	–8	56	85	8	27	3	36	–8	48	8
35 Other countries	–89	91	44	4	–11	5	–43	48	24	9
36 **Nonmonetary international and regional organizations**	**–542**	**353**	**–282**	**12**	**52**	**–399**	**27**	**160**	**6**	**–76**
	Foreign securities									
37 Stocks, net purchases, or sales (–)[3]	–1,959	–12,832	–3,590	–584[r]	–2,217	772	–981	–90	–872	–2,419
38 Foreign purchases	75,356	109,789	53,517	10,383[r]	9,913	12,983	10,481	11,765	8,360	9,928
39 Foreign sales[3]	77,315	122,621	57,107	10,966[r]	12,130	12,211	11,461	11,855	9,233	12,347
40 Bonds, net purchases, or sales (–)	–7,434	–6,049	–12,595	477[r]	–275	556	–159	–9,605	–1,830	–1,557
41 Foreign purchases	218,521	234,215	107,209	20,465[r]	18,545	18,512	20,671	22,375	20,184	25,467
42 Foreign sales	225,955	240,264	119,804	19,987[r]	18,819	17,955	20,830	31,981	22,015	27,024
43 **Net purchases, or sales (–), of stocks and bonds**	**–9,393**	**–18,881**	**–16,185**	**–106[r]**	**–2,492**	**1,328**	**–1,139**	**–9,695**	**–2,702**	**–3,976**
44 **Foreign countries**	**–9,873**	**–18,914**	**–15,022**	**–185[r]**	**–2,500**	**1,220**	**–1,229**	**–8,094**	**–2,852**	**–4,067**
45 Europe	–7,864	–17,728	–2,340	168[r]	–933	1,398	–1,226	–305	–669	–1,539
46 Canada	–3,747	–4,180	–4,005	–324[r]	–970	–58	–144	–1,323	–1,797	–683
47 Latin America and Caribbean	1,384	426	–6,741	–102	–269	33	161	–6,648	–171	–117
48 Asia	979	2,722	–1,247	–22[r]	–549	111	–307	693	–341	–1,403
49 Africa	–54	93	–28	13	56	–14	9	–1	–28	6
50 Other countries	–571	–246	–661	83[r]	165	–249	277	–511	154	–331
51 **Nonmonetary international and regional organizations**	**480**	**33**	**–1,163**	**78[r]**	**8**	**108**	**89**	**–1,601**	**150**	**91**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3. As a result of the merger of a U.S. and U.K. company in July 1989, the former stockholders of the U.S. company received $5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data above.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1988	1989[r]	1990	1989		1990				
			Jan.–May	Nov.	Dec.[r]	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[p]
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total[2]**	**48,832**	**54,607**	**–5,957**	**8,154[r]**	**1,054**	**819**	**1,454**	**–8,793**	**3,083**	**–2,520**
2 Foreign countries[2]	48,170	52,705	–4,609	8,350[r]	–462	1,090	1,795	–8,597	4,022	–2,919
3 Europe[2]	14,319	35,939	2,838	4,203[r]	2,432	1,238	2,191	–2,374	6,031	–4,247
4 Belgium–Luxembourg	923	1,048	125	210	–85	144	–337	–256	458	115
5 Germany[2]	–5,268	7,904	1,921	1,640[r]	1,735	–216	1,672	–475	633	306
6 Netherlands	–356	–1,141	–1,654	54	–386	–330	–1,400	–411	749	–263
7 Sweden	–323	886	213	–232	29	–71	270	–22	763	–727
8 Switzerland[2]	–1,074	1,097	–306	–780	–355	–284	–5	–251	422	–189
9 United Kingdom	9,640	20,198	197	3,793[r]	1,285	150	1,627	–298	2,250	–3,533
10 Other Western Europe	10,786	5,968	2,334	–481	209	1,845	363	–664	747	43
11 Eastern Europe	–10	–21	6	0	0	0	0	0	6	0
12 Canada	3,761	701	–5,705	375	164	–542	–2,137	–1,383	110	–1,752
13 Latin America and Caribbean	713	490	3,042	1,372	–886	–333	91	672	2,134	478
14 Venezuela	–109	311	–96	163	–36	–107	–48	38	–49	71
15 Other Latin America and Caribbean	1,130	–297	1,122	576	–610	262	16	270	–35	610
16 Netherlands Antilles	–308	475	2,015	634	–240	–488	123	365	2,218	–204
17 Asia	27,603	14,021	–3,542	1,741[r]	–2,767	447	2,287	–5,119	–3,877	2,721
18 Japan	21,750	2,404	–7,110	1,176[r]	–1,133	837	852	–5,630	–6,102	2,933
19 Africa	–13	116	–110	9	39	9	13	–43	–81	–8
20 All other	1,786	1,439	–1,132	649	555	273	–650	–351	–294	–110
21 Nonmonetary international and regional organizations	661	1,902	–1,348	–196[r]	1,516	–272	–341	–196	–939	400
22 International	1,106	1,473	–913	–143	1,335	–360	–286	–92	–553	378
23 Latin America regional	–31	231	100	0	0	38	–11	–26	74	25
Memo										
24 Foreign countries[2]	48,170	52,705	–4,609	8,350[r]	–462	1,090	1,795	–8,597	4,022	–2,919
25 Official institutions	26,624	27,028	–2,209	1,686	1,305	328	–1,425	–3,856	5,592	–2,847
26 Other foreign[2]	21,546	25,677	–2,401	6,664[r]	–1,767	763	3,220	–4,741	–1,570	–72
Oil-exporting countries										
27 Middle East[3]	1,963	8,148	3,396	–26	–640	916	970	1,020	668	–178
28 Africa[4]	1	–1	–1	–1	0	–1	0	0	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on July 31, 1990 Percent	Rate on July 31, 1990 Month effective	Country	Rate on July 31, 1990 Percent	Rate on July 31, 1990 Month effective	Country	Rate on July 31, 1990 Percent	Rate on July 31, 1990 Month effective
Austria	6.5	Oct. 1989	France[1]	9.5	Apr. 1990	Norway	8.0	June 1983
Belgium	10.25	Oct. 1989	Germany, Fed. Rep. of	6.0	Oct. 1989	Switzerland	6.0	Oct. 1989
Canada	13.48	July 1990	Italy	12.5	May 1990	United Kingdom[2]	....	....
Denmark	10.5	Oct. 1989	Japan	5.25	Mar. 1990			
			Netherlands	7.0	Oct. 1989			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per year, averages of daily figures

Country, or type	1987	1988	1989	1990 Jan.	Feb.	Mar.	Apr.	May	June	July
1 Eurodollars	7.07	7.85	9.16	8.22	8.24	8.37	8.44	8.35	8.23	8.09
2 United Kingdom	9.65	10.28	13.87	15.13	15.07	15.23	15.17	15.11	14.95	14.92
3 Canada	8.38	9.63	12.20	12.24	12.96	13.35	13.59	13.77	13.73	13.58
4 Germany	3.97	4.28	7.04	8.22	8.27	8.42	8.20	8.27	8.24	8.17
5 Switzerland	3.67	2.94	6.83	9.35	9.31	8.88	9.01	8.83	8.71	8.81
6 Netherlands	5.24	4.72	7.28	8.82	8.93	8.70	8.46	8.37	8.26	8.16
7 France	8.14	7.80	9.27	11.19	10.93	10.56	9.92	9.70	9.94	9.91
8 Italy	11.15	11.04	12.44	12.88	13.22	13.03	12.11	12.09	11.33r	11.38
9 Belgium	7.01	6.69	8.65	10.48	10.54	10.39	10.19	9.90	9.63	9.30
10 Japan	3.87	3.96	4.73	6.02	6.22	6.33	6.62	6.84	6.86	7.02

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar

Country/currency	1987	1988	1989	1990					
				Feb.	Mar.	Apr.	May	June[r]	July
1 Australia/dollar[2]	70.137	78.409	79.186	75.932	75.562	76.366	76.106	77.903	79.076
2 Austria/schilling	12.649	12.357	13.236	11.803	11.514	11.862	11.699	11.843	11.520
3 Belgium/franc	37.358	36.785	39.409	34.998	35.398	34.868	34.325	34.602	33.715
4 Canada/dollar	1.3259	1.2306	1.1842	1.1965	1.1800	1.1641	1.1747	1.1730	1.1570
5 China, P.R./yuan	3.7314	3.7314	3.7673	4.7339	4.7339	4.7339	4.7339	4.7339	4.7339
6 Denmark/krone	6.8478	6.7412	7.3210	6.4729	6.5349	6.4305	6.3349	6.4080	6.2339
7 Finland/markka	4.4037	4.1933	4.2963	3.9642	4.0276	3.9923	3.9270	3.9561	3.8386
8 France/franc	6.0122	5.9595	6.3802	5.6897	5.7555	5.6638	5.5989	5.6613	5.4924
9 Germany/deutsche mark	1.7981	1.7570	1.8808	1.6758	1.7053	1.6863	1.6630	1.6832	1.6375
10 Greece/drachma	135.47	142.00	162.60	158.04	162.44	163.77	163.82	164.78	160.59
11 Hong Kong/dollar	7.7986	7.8072	7.8008	7.8103	7.8129	7.7966	7.7877	7.7855	7.7704
12 India/rupee	12.943	13.900	16.213	16.990	17.116	17.294	17.325	17.421	17.412
13 Ireland/punt[2]	148.79	152.49	141.80	158.28	156.26	158.97	161.21	159.28	163.75
14 Italy/lira	1,297.03	1,302.39	1,372.28	1,243.68	1,257.67	1,238.38	1,221.93	1,235.60	1,199.65
15 Japan/yen	144.60	128.17	138.07	145.69	153.31	158.46	154.04	153.70	149.04
16 Malaysia/ringgit	2.5186	2.6190	2.7079	2.7137	2.7170	2.7264	2.7024	2.7104	2.7051
17 Netherlands/guilder	2.0264	1.9778	2.1219	1.8892	1.9204	1.8984	1.8704	1.8946	1.8452
18 New Zealand/dollar[2]	59.328	65.560	59.354	59.156	58.471	57.883	57.293	58.254	59.147
19 Norway/krone	6.7409	6.5243	6.9131	6.4760	6.5972	6.5457	6.4477	6.4700	6.2925
20 Portugal/escudo	141.20	144.27	157.53	147.71	150.59	149.29	147.08	147.90	143.93
21 Singapore/dollar	2.1059	2.0133	1.9511	1.8641	1.8777	1.8783	1.8589	1.8471	1.8193
22 South Africa/rand	2.0385	2.2770	2.6214	2.5449	2.6158	2.6552	2.6468	2.6592	2.6253
23 South Korea/won	825.94	734.52	674.29	692.47	700.50	708.76	711.85	718.07	718.75
24 Spain/peseta	123.54	116.53	118.44	108.27	109.37	107.00	103.98	103.91	100.41
25 Sri Lanka/rupee	29.472	31.820	35.947	40.018	40.018	40.018	40.023	40.018	40.018
26 Sweden/krona	6.3469	6.1370	6.4559	6.1250	6.1683	6.1160	6.0560	6.0896	5.9470
27 Switzerland/franc	1.4918	1.4643	1.6369	1.4879	1.5133	1.4866	1.4198	1.4250	1.3924
28 Taiwan/dollar	31.753	28.636	26.407	26.118	26.361	26.369	26.961	27.391	27.163
29 Thailand/baht	25.775	25.312	25.725	25.733	25.926	26.024	25.928	25.876	25.706
30 United Kingdom/pound[2]	163.98	178.13	163.82	169.61	162.45	163.72	167.74	171.03	180.98
MEMO									
31 United States/dollar[3]	96.94	92.72	98.60	92.25	94.11	93.51	92.04	92.43	89.68

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of 10 industrial countries. The weight for each of the 10 countries is the 1972–76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64, August 1978, p. 700).

Guide to Tabular Presentation, Statistical Releases, and Special Tables

Guide To Tabular Presentation

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		. . .	Cell not applicable

General Information

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

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

In some of the tables, details do not add to totals because of rounding.

Statistical Releases—List Published Semiannually, with Latest Bulletin Reference

	Issue	*Page*
Anticipated schedule of release dates for periodic releases	June 1990	A88

Special Tables—Published Irregularly, with Latest Bulletin Reference

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Special tables follow.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 5–9, 1990[1]

A. Commercial and Industrial Loans

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2] (Days)	Loan rate (percent): Weighted average effective[3]	Loan rate (percent): Standard error[4]	Loan rate (percent): Interquartile range[5]	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[6]
ALL BANKS									
1 Overnight[7]	11,853,050	5,773	*	9.12	.06	8.82–9.24	65.3	3.1	Fed Funds
2 One month and under	10,912,605	959	17	9.47	.18	8.86–9.81	80.0	7.1	Other
3 Fixed rate	7,977,233	1,164	17	9.36	.18	8.90–9.81	76.1	8.3	Other
4 Floating rate	2,935,373	648	15	9.78	.30	8.78–10.48	90.7	3.7	Domestic
5 Over one month and under a year	7,991,517	110	142	10.67	.19	9.48–11.57	78.4	5.6	Prime
6 Fixed rate	3,133,089	101	124	10.32	.23	9.34–11.32	71.8	7.9	Other
7 Floating rate	4,858,429	117	154	10.90	.19	10.26–11.63	82.7	4.2	Prime
8 Demand[8]	12,632,977	205	*	10.60	.15	9.51–11.57	83.8	5.6	Prime
9 Fixed rate	2,102,193	414	*	9.79	.23	8.99–10.50	87.9	6.7	Domestic
10 Floating rate	10,530,783	186	*	10.76	.14	10.38–11.57	82.9	5.4	Prime
11 **Total short term**	**43,390,149**	**294**	**43**	**9.93**	**.15**	**8.98–10.58**	**76.8**	**5.3**	**Prime**
12 Fixed rate (thousands of dollars)	25,064,398	556	24	9.40	.13	8.91–9.62	71.4	5.7	Other
13 1–24	228,103	7	111	12.48	.22	11.63–13.31	22.6	.1	Prime
14 25–49	138,401	32	138	11.88	.24	11.03–12.78	21.1	.1	Prime
15 50–99	153,555	64	100	12.00	.27	11.48–12.62	44.0	4.9	Prime
16 100–499	514,784	192	114	10.89	.30	10.05–12.01	44.1	2.0	Prime
17 500–999	438,873	670	50	10.27	.13	9.33–11.07	71.7	6.0	Other
18 1000 and over	23,590,682	7,738	20	9.29	.08	8.87–9.52	72.9	5.8	Other
19 Floating rate (thousands of dollars)	18,325,752	179	102	10.64	.16	9.53–11.57	84.1	4.8	Prime
20 1–24	494,854	10	150	12.17	.09	11.57–12.75	71.8	.9	Prime
21 25–49	534,203	34	136	11.98	.08	11.35–12.68	79.4	2.5	Prime
22 50–99	855,633	66	146	11.72	.07	11.02–12.28	81.0	1.9	Prime
23 100–499	3,284,718	192	155	11.40	.09	10.52–12.01	86.8	5.4	Prime
24 500–999	1,338,306	653	145	10.93	.04	10.47–11.57	89.0	8.6	Prime
25 1000 and over	11,818,038	4,268	80	10.19	.14	9.09–11.02	83.8	4.7	Prime
			Months						
26 **Total long term**	**5,129,535**	**223**	**46**	**10.92**	**.19**	**10.38–11.73**	**77.9**	**8.6**	**Prime**
27 Fixed rate (thousands of dollars)	910,047	110	46	10.45	.28	9.42–11.30	52.8	6.8	Other
28 1–99	122,178	16	49	12.29	.20	11.07–13.31	22.8	.2	Other
29 100–499	98,957	240	55	11.51	.20	10.53–12.13	41.7	6.0	Prime
30 500–999	66,844	686	55	10.86	.34	10.52–11.30	42.1	.0	Other
31 1000 and over	622,067	4,145	43	9.88	.31	9.27–10.38	61.8	8.9	Other
32 Floating rate (thousands of dollars)	4,219,488	286	46	11.02	.20	10.38–11.85	83.3	8.9	Prime
33 1–99	280,109	26	45	12.19	.14	11.57–12.75	45.5	5.0	Prime
34 100–499	563,180	210	38	11.62	.13	10.79–12.19	66.7	9.9	Prime
35 500–999	294,586	648	44	11.38	.15	10.52–12.01	73.6	21.0	Prime
36 1000 and over	3,081,613	4,292	47	10.77	.19	10.38–11.57	90.6	8.0	Prime
			Days	Loan rate (percent): Effective[3]	Loan rate (percent): Nominal[9]	Prime rate[10]			
LOANS MADE BELOW PRIME[11]									
37 Overnight[7]	11,321,358	8,837	*	9.05	8.66	10.01	64.1	3.3	
38 One month and under	9,613,620	4,344	16	9.20	8.82	10.01	80.9	7.2	
39 Over one month and under a year	3,233,191	435	132	9.39	9.03	10.10	85.6	9.0	
40 Demand[8]	4,011,782	1,287	*	9.15	8.81	10.03	72.7	5.5	
41 **Total short term**	**28,179,950**	**2,008**	**25**	**9.16**	**8.78**	**10.02**	**73.5**	**5.6**	
42 Fixed rate	22,108,343	2,800	18	9.13	8.76	10.01	71.7	6.4	
43 Floating rate	6,071,607	989	64	9.24	8.86	10.06	80.1	2.5	
			Months						
44 **Total long term**	**1,272,533**	**631**	**44**	**9.48**	**9.13**	**10.16**	**78.6**	**7.7**	
45 Fixed rate	511,375	425	41	9.51	9.17	10.11	58.8	13.2	
46 Floating rate	761,158	936	47	9.47	9.10	10.20	92.0	4.0	

For notes see end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 5–9, 1990[1]—Continued

A. Commercial and Industrial Loans—Continued

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)			Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[6]
			Days	Weighted average effective[3]	Standard error[4]	Interquartile range[5]			
LARGE BANKS									
1 Overnight[7]	9,972,446	7,774	*	9.13	.07	8.80–9.21	58.8	3.7	Other
2 One month and under	9,111,727	5,306	17	9.44	.11	8.82–9.81	79.2	6.0	Domestic
3 Fixed rate	6,611,497	7,238	17	9.38	.11	8.86–9.81	74.4	7.3	Other
4 Floating rate	2,500,230	3,111	14	9.62	.32	8.73–10.12	92.1	2.7	Domestic
5 Over one month and under a year	4,325,095	741	129	10.20	.09	9.36–10.89	87.8	5.1	Prime
6 Fixed rate	1,916,165	2,321	115	9.88	.18	9.21–10.42	86.2	8.9	Domestic
7 Floating rate	2,408,931	480	141	10.45	.11	9.49–11.19	89.1	2.0	Prime
8 Demand[8]	7,663,066	418	*	10.39	.19	9.25–11.30	77.7	6.0	Prime
9 Fixed rate	1,463,583	816	*	9.99	.26	9.25–10.87	85.3	9.1	Domestic
10 Floating rate	6,199,483	375	*	10.49	.23	9.25–11.35	75.9	5.2	Prime
11 Total short term	**31,072,334**	**1,143**	**31**	**9.68**	**.06**	**8.94–10.42**	**73.5**	**5.1**	**Other**
12 Fixed rate (thousands of dollars)	19,962,617	4,147	19	9.35	.06	8.87–9.60	68.5	5.8	Other
13 1–24	8,331	9	107	11.45	.35	10.75–12.00	37.4	.0	Prime
14 25–49	10,529	33	106	11.46	.46	11.00–12.00	36.9	.0	Prime
15 50–99	17,650	63	72	11.20	.39	10.52–11.84	50.5	.0	Prime
16 100–499	150,576	220	39	10.48	.33	10.00–11.35	69.9	2.9	Prime
17 500–999	249,903	676	36	10.20	.18	9.45–11.00	74.2	5.6	Other
18 1000 and over	19,525,629	8,569	19	9.32	.06	8.86–9.58	68.5	5.8	Other
19 Floating rate (thousands of dollars)	11,109,717	497	76	10.28	.19	9.18–11.07	82.4	4.0	Prime
20 1–24	81,985	11	151	11.89	.14	11.02–12.68	83.4	.6	Prime
21 25–49	114,989	34	144	11.75	.11	11.02–12.19	86.9	1.2	Prime
22 50–99	216,115	66	135	11.60	.11	10.75–12.13	88.7	1.0	Prime
23 100–499	1,127,104	202	146	11.20	.05	10.47–11.63	89.9	3.4	Prime
24 500–999	625,820	649	153	10.94	.07	10.47–11.57	90.0	7.3	Prime
25 1000 and over	8,943,703	5,346	67	10.06	.20	8.98–10.89	80.7	4.0	Prime
			Months						
26 Total long term	**3,333,455**	**1,018**	**46**	**10.51**	**.18**	**9.69–11.19**	**88.3**	**5.1**	**Prime**
27 Fixed rate (thousands of dollars)	504,798	1,009	37	9.71	.16	9.22–9.99	61.5	5.6	Other
28 1–99	7,107	22	47	11.71	.31	11.41–12.68	23.7	.0	None
29 100–499	17,006	250	46	11.44	.29	11.06–11.57	67.6	5.3	Domestic
30 500–999	13,546	686	61	10.20	.49	9.26–11.57	45.3	.0	None
31 1000 and over	467,140	5,565	36	9.60	.12	9.00–9.81	62.3	5.9	Other
32 Floating rate (thousands of dollars)	2,828,657	1,020	47	10.65	.24	10.38–11.35	93.1	5.0	Prime
33 1–99	44,013	41	38	11.90	.25	10.92–12.68	75.6	8.9	Prime
34 100–499	231,691	232	40	11.34	.17	10.47–12.01	85.6	11.8	Prime
35 500–999	144,635	654	41	11.20	.12	10.47–12.01	91.8	12.9	Prime
36 1000 and over	2,408,319	5,061	49	10.53	.26	10.31–11.19	94.2	3.9	Prime
			Days	Loan rate (percent)		Prime rate[10]			
				Effective[3]	Nominal[9]				
LOANS MADE BELOW PRIME[11]									
37 Overnight[7]	9,446,174	9,308	*	9.05	8.66	10.00	57.1	3.9	
38 One month and under	8,259,155	8,763	16	9.25	8.86	10.00	79.4	6.7	
39 Over one month and under a year	2,336,876	3,450	132	9.35	8.99	10.00	88.5	7.9	
40 Demand[8]	2,947,156	3,056	*	9.12	8.80	10.01	63.4	6.5	
41 Total short term	**22,989,361**	**6,388**	**22**	**9.16**	**8.78**	**10.00**	**69.1**	**5.6**	
42 Fixed rate	18,021,924	7,286	17	9.16	8.78	10.00	66.8	6.7	
43 Floating rate	4,967,437	4,413	54	9.16	8.79	10.00	77.3	1.8	
			Months						
44 Total long term	**1,067,293**	**3,962**	**42**	**9.26**	**8.93**	**10.01**	**85.2**	**5.5**	
45 Fixed rate	404,739	4,554	31	9.33	9.02	10.00	61.4	10.9	
46 Floating rate	662,554	3,671	48	9.22	8.87	10.01	99.8	2.1	

For notes see end of table.

4.23—Continued

A. Commercial and Industrial Loans—Continued

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)			Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[6]
			Days	Weighted average effective[3]	Standard error[4]	Interquartile range[5]			
OTHER BANKS									
1 Overnight[7]	1,880,604	2,441	*	9.07	.10	8.91–9.24	99.7	.0	Fed Funds
2 One month and under	1,800,878	186	17	9.64	.33	9.01–10.47	83.9	12.4	Prime
3 Fixed rate	1,365,735	230	17	9.29	.36	9.00–9.80	84.3	13.4	Other
4 Floating rate	435,143	117	18	10.72	.32	9.35–11.86	82.7	9.3	Prime
5 Over one month and under a year	3,666,422	55	158	11.23	.22	10.47–12.19	67.3	6.3	Prime
6 Fixed rate	1,216,924	40	139	11.01	.23	9.47–12.40	49.1	6.4	Other
7 Floating rate	2,449,498	67	167	11.34	.23	10.47–12.13	76.4	6.3	Prime
8 Demand[8]	4,969,911	115	*	10.92	.21	10.47–11.63	93.1	5.0	Prime
9 Fixed rate	638,611	194	*	9.33	.39	8.97–9.27	93.8	1.1	Domestic
10 Floating rate	4,331,300	108	*	11.16	.07	10.52–11.85	93.0	5.6	Prime
11 **Total short term**	**12,317,816**	**102**	**83**	**10.54**	**.14**	**9.24–11.57**	**85.1**	**5.7**	**Prime**
12 Fixed rate (thousands of dollars)	5,101,781	127	44	9.62	.23	8.91–9.96	82.8	5.3	Fed Funds
13 1–24	219,772	7	111	12.52	.15	11.84–13.31	22.0	.1	Prime
14 25–49	127,872	32	138	11.91	.14	11.04–12.78	19.8	.1	Prime
15 50–99	135,905	64	101	12.11	.25	11.63–12.62	43.1	5.6	Prime
16 100–499	364,207	182	130	11.06	.39	10.25–12.55	33.4	1.6	Prime
17 500–999	188,970	664	66	10.37	.19	9.14–11.57	68.3	6.6	Other
18 1000 and over	4,065,053	5,279	25	9.15	.17	8.91–9.41	94.5	6.0	Fed Funds
19 Floating rate (thousands of dollars)	7,216,035	90	145	11.19	.09	10.47–11.91	86.7	6.1	Prime
20 1–24	412,869	9	150	12.22	.08	11.57–12.75	69.5	1.0	Prime
21 25–49	419,213	34	135	12.04	.08	11.52–12.68	77.3	2.9	Prime
22 50–99	639,518	65	148	11.77	.06	11.07–12.40	78.4	2.2	Prime
23 100–499	2,157,614	187	157	11.51	.15	10.75–12.13	85.2	6.5	Prime
24 500–999	712,486	657	141	10.93	.06	10.47–11.57	88.0	9.7	Prime
25 1000 and over	2,874,335	2,623	134	10.63	.16	10.07–11.57	93.3	6.8	Prime
			Months						
26 **Total long term**	**1,796,080**	**91**	**46**	**11.69**	**.07**	**11.02–12.28**	**58.5**	**14.9**	**Prime**
27 Fixed rate (thousands of dollars)	405,249	52	57	11.37	.23	10.47–12.06	42.1	8.1	Other
28 1–99	115,072	16	49	12.32	.17	11.07–13.31	21.9	.2	Other
29 100–499	81,952	238	57	11.53	.28	10.53–12.13	36.3	6.1	Prime
30 500–999	53,298	686	53	11.03	.23	10.69–11.30	41.2	.0	Other
31 1000 and over	154,927	2,343	64	10.70	.40	10.11–11.35	60.4	17.9	Other
32 Floating rate (thousands of dollars)	1,390,831	116	42	11.78	.06	11.30–12.28	63.3	16.9	Prime
33 1–99	236,096	24	46	12.25	.08	11.63–12.75	39.9	4.3	Prime
34 100–499	331,489	197	37	11.81	.16	11.07–12.19	53.5	8.6	Prime
35 500–999	149,951	642	46	11.55	.25	11.02–11.85	56.1	28.9	Prime
36 1000 and over	673,294	2,781	43	11.65	.11	11.30–12.28	77.9	22.7	Prime
			Days	Loan rate (percent): Effective[3]	Loan rate (percent): Nominal[9]	Prime rate[10]			
LOANS MADE BELOW PRIME[11]									
37 Overnight[7]	1,875,184	7,042	*	9.06	8.67	10.02	99.8	.0	
38 One month and under	1,354,465	1,066	15	8.93	8.55	10.10	90.1	10.5	
39 Over one month and under a year	896,314	133	134	9.51	9.12	10.34	78.1	11.7	
40 Demand[8]	1,064,626	494	*	9.23	8.84	10.11	98.6	2.6	
41 **Total short term**	**5,190,589**	**497**	**35**	**9.14**	**8.75**	**10.12**	**93.3**	**5.3**	
42 Fixed rate	4,086,419	754	21	9.01	8.63	10.06	93.3	5.2	
43 Floating rate	1,104,170	220	112	9.61	9.20	10.30	93.1	5.7	
			Months						
44 **Total long term**	**205,240**	**117**	**57**	**10.65**	**10.15**	**10.95**	**44.3**	**19.4**	
45 Fixed rate	106,636	96	76	10.22	9.74	10.52	48.9	21.8	
46 Floating rate	98,604	156	37	11.13	10.60	11.42	39.4	16.9	

For notes see end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 5–9, 1990—Continued

B. Loans to Farmers[12]

Characteristic	Size class of loans (thousands)						
	All sizes	$1–9	$10–24	$25–49	$50–99	$100–249	$250 and over
ALL BANKS							
1 Amount of loans (thousands of dollars)	$ 1,291,198	$ 105,639	$ 133,327	$ 157,468	$ 205,758	$ 258,937	$ 430,069
2 Number of loans	48,108	29,348	8,794	4,657	3,031	1,811	466
3 Weighted average maturity (months)[2]	12.8	8.4	11.4	14.9	21.6	12.0	8.7
4 Weighted average interest rate (percent)[3]	11.78	12.55	12.40	12.19	12.18	11.86	11.00
5 Standard error[4]	.73	.26	.42	.18	.22	.30	.67
6 Interquartile range[5]	11.02–12.47	11.87–13.03	11.83–12.90	11.63–12.75	11.57–12.75	11.46–12.68	10.47–11.62
By purpose of loan							
7 Feeder livestock	11.40	12.53	12.32	12.17	11.95	11.55	11.00
8 Other livestock	11.66	12.87	12.63	12.61	12.94	*	10.64
9 Other current operating expenses	12.11	12.49	12.52	12.26	12.34	12.04	11.15
10 Farm machinery and equipment	12.21	12.69	11.96	12.06	12.21	*	*
11 Farm real estate	11.45	12.58	11.88	11.69	11.29	*	*
12 Other	11.59	12.44	12.35	11.93	11.81	11.54	11.10
Percentage of amount of loans							
13 With floating rates	71.0	51.6	58.6	64.3	68.8	76.0	80.2
14 Made under commitment	64.7	49.6	46.7	49.6	48.2	56.6	92.1
By purpose of loan							
15 Feeder livestock	27.7	11.2	18.4	15.8	18.4	19.6	48.2
16 Other livestock	10.9	9.7	8.2	12.1	8.3	*	15.7
17 Other current operating expenses	39.5	59.4	51.1	40.9	47.2	54.6	17.8
18 Farm machinery and equipment	5.2	13.3	10.5	13.0	6.0	*	*
19 Farm real estate	4.7	.6	3.4	6.6	4.6	*	*
20 Other	12.0	5.9	8.3	11.6	15.6	14.1	11.9
LARGE FARM LENDERS[12]							
1 Amount of loans (thousands of dollars)	$ 639,193	$ 16,743	$ 30,002	$ 38,274	$ 53,480	$ 107,393	$ 393,300
2 Number of loans	9,470	4,518	1,962	1,111	805	702	371
3 Weighted average maturity (months)[2]	9.4	7.4	9.6	10.1	12.5	10.5	8.5
4 Weighted average interest rate (percent)[3]	11.27	12.23	11.92	11.82	11.74	11.61	10.96
5 Standard error[4]	.71	.22	.39	.14	.16	.22	.51
6 Interquartile range[5]	10.52–12.13	11.63–12.75	11.35–12.47	11.30–12.19	11.12–12.19	11.02–12.19	10.47–11.62
By purpose of loan							
7 Feeder livestock	11.14	12.20	11.94	11.90	11.61	11.49	11.00
8 Other livestock	10.55	12.34	12.18	11.71	11.72	*	10.29
9 Other current operating expenses	11.60	12.23	11.85	11.89	11.93	11.74	11.18
10 Farm machinery and equipment	12.22	12.66	12.24	11.95	*	*	*
11 Farm real estate	11.43	12.25	12.19	11.92	*	*	*
12 Other	11.26	12.07	11.86	11.46	11.46	11.32	11.05
Percentage of amount of loans							
13 With floating rates	84.3	79.3	84.6	86.7	88.8	97.5	80.1
14 Made under commitment	87.0	75.9	73.9	77.6	77.9	78.2	93.1
By purpose of loan							
15 Feeder livestock	39.6	11.4	17.5	23.9	28.5	21.7	50.3
16 Other livestock	10.1	4.8	5.7	3.7	4.7	*	14.0
17 Other current operating expenses	28.1	65.9	54.7	46.9	37.9	40.7	17.8
18 Farm machinery and equipment	1.9	3.6	4.6	3.8	*	*	*
19 Farm real estate	5.9	1.0	4.1	5.0	*	*	*
20 Other	14.4	13.3	13.4	16.7	18.5	24.8	10.9
OTHER BANKS[12]							
1 Amount of loans (thousands of dollars)	$ 652,005	$ 88,895	$ 103,325	$ 119,194	$ 152,278	$ 151,544	*
2 Number of loans	38,638	24,830	6,832	3,546	2,226	1,109	*
3 Weighted average maturity (months)[2]	14.9	8.5	11.7	15.9	24.1	12.7	*
4 Weighted average interest rate (percent)[3]	12.28	12.62	12.54	12.31	12.33	12.03	*
5 Standard error[4]	.13	.12	.13	.11	.15	.20	*
6 Interquartile range[5]	11.63–12.82	11.99–13.12	12.00–13.07	11.63–12.81	11.63–12.82	11.62–12.82	*
By purpose of loan							
7 Feeder livestock	12.03	12.60	12.42	12.32	12.19	*	*
8 Other livestock	12.60	12.92	12.71	12.68	*	*	*
9 Other current operating expenses	12.38	12.54	12.74	12.41	12.44	12.17	*
10 Farm machinery and equipment	12.21	12.69	11.93	12.07	*	*	*
11 Farm real estate	11.48	*	*	*	*	*	*
12 Other	12.07	12.64	12.63	*	11.96	*	*

For notes see end of table.

4.23—Continued

B. Loans to Farmers[12]—Continued

Characteristic	Size class of loans (thousands)						
	All sizes	$1–9	$10–24	$25–49	$50–99	$100–249	$250 and over
Percentage of amount of loans							
13 With floating rates	58.0	46.4	51.0	57.1	61.7	60.7	*
14 Made under commitment	42.7	44.6	38.9	40.7	37.8	41.3	*
By purpose of loan							
15 Feeder livestock	16.0	11.1	18.7	13.2	14.8	*	*
16 Other livestock	11.7	10.6	8.9	14.8	*	*	*
17 Other current operating expenses	50.7	58.2	50.0	38.9	50.4	64.4	*
18 Farm machinery and equipment	8.4	15.1	12.3	15.9	*	*	*
19 Farm real estate	3.5	*	*	*	*	*	*
20 Other	9.7	4.5	6.8	*	14.5	*	*

*Fewer than 10 sample loans.

1. The survey of terms of bank lending to business collects data on gross loan extensions made during the first full business week in the mid-month of each quarter by a sample of 340 commercial banks of all sizes. A sample of 250 banks reports loans to farmers. The sample data are blown up to estimate the lending terms at all insured commercial banks during that week. The estimated terms of bank lending are not intended for use in collecting the terms of loans extended over the entire quarter or residing in the portfolios of those banks. Mortgage loans, purchased loans, foreign loans, and loans of less than $1,000 are excluded from the survey.

As of Dec. 31, 1988, assets of most of the large banks were at least $6.0 billion. For all insured banks total assets averaged $220 million.

2. Average maturities are weighted by loan size and exclude demand loans.

3. Effective (compounded) annual interest rates are calculated from the stated rate and other terms of the loan and weighted by loan size.

4. The chances are about two out of three that the average rate shown would differ by less than this amount from the average rate that would be found by a complete survey of lending at all banks.

5. The interquartile range shows the interest rate range that encompasses the middle 50 percent of the total dollar amount of loans made.

6. The most common base rate is that rate used to price the largest dollar volume of loans. Base pricing rates include the prime rate (sometimes referred to as a bank's "basic" or "reference" rate); the federal funds rate; domestic money market rates other than the federal funds rate; foreign money market rates; and other base rates not included in the foregoing classifications.

7. Overnight loans are loans that mature on the following business day.

8. Demand loans have no stated date of maturity.

9. Nominal (not compounded) annual interest rates are calculated from survey data on the stated rate and other terms of the loan and weighted by loan size.

10. The prime rate reported by each bank is weighted by the volume of loans extended and then averaged.

11. The proportion of loans made at rates below prime may vary substantially from the proportion of such loans outstanding in banks' portfolios.

12. Among banks reporting loans to farmers (Table B), most "large banks" (survey strata 1 to 2) had over $20 million in farm loans, and most "other banks" (survey strata 3 to 5) had farm loans below $20 million.

The survey of terms of bank lending to farmers now includes loans secured by farm real estate. In addition, the categories describing the purpose of farm loans have now been expanded to include "purchase or improve farm real estate." In previous surveys, the purpose of such loans was reported as "other."

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1989[1]

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]
1 **Total assets[4]**	**579,512**	**276,560**	**428,794**	**222,011**	**78,779**	**27,531**	**44,143**	**17,046**
2 Claims on nonrelated parties	519,718	214,142	382,870	172,287	72,681	20,414	43,739	16,079
3 Cash and balances due from depository institutions	145,685	124,231	121,701	103,019	8,319	7,483	13,806	12,544
4 Cash items in process of collection and unposted debits	1,239	0	1,179	0	31	0	6	0
5 Currency and coin (U.S. and foreign)	23	n.a.	17	n.a.	2	n.a.	1	n.a.
6 Balances with depository institutions in United States	77,547	58,934	64,952	48,690	4,701	4,105	7,091	5,906
7 U.S. branches and agencies of other foreign banks (including their IBFs)	67,493	54,809	56,643	44,966	4,117	3,915	6,314	5,724
8 Other depository institutions in United States (including their IBFs)	10,054	4,125	8,309	3,724	584	190	777	183
9 Balances with banks in foreign countries and with foreign central banks	66,013	65,297	54,892	54,329	3,497	3,378	6,649	6,637
10 Foreign branches of U.S. banks	2,552	2,496	2,069	2,014	183	183	279	279
11 Other banks in foreign countries and foreign central banks	63,461	62,801	52,823	52,315	3,314	3,196	6,371	6,359
12 Balances with Federal Reserve Banks	862	n.a.	661	n.a.	89	n.a.	58	n.a.
13 **Total securities and loans**	**298,766**	**77,180**	**201,590**	**58,994**	**52,864**	**11,234**	**26,954**	**3,020**
14 Total securities, book value	37,676	12,262	31,969	10,144	3,760	1,496	1,162	539
15 U.S. Treasury	6,140	n.a.	5,882	n.a.	80	n.a.	116	n.a.
16 Obligations of U.S. government agencies and corporations	5,016	n.a.	4,838	n.a.	115	n.a.	0	n.a.
17 Other bonds, notes, debentures and corporate stock (including state and local securities)	26,520	12,262	21,249	10,144	3,565	1,496	1,045	539
18 Federal funds sold and securities purchased under agreements to resell	20,253	4,520	17,803	3,764	914	508	991	107
19 U.S. branches and agencies of other foreign banks	11,964	2,834	10,407	2,523	406	108	899	100
20 Commercial banks in United States	4,438	1	4,109	0	98	0	44	0
21 Other	3,851	1,685	3,287	1,241	410	400	49	7
22 Total loans, gross	261,273	64,951	169,739	48,880	49,148	9,740	25,806	2,482
23 Less: Unearned income on loans	183	33	118	30	44	1	14	1
24 Equals: Loans, net	261,090	64,918	169,621	48,849	49,104	9,739	25,792	2,481
Total loans, gross, by category								
25 Real estate loans	30,207	272	16,741	176	7,868	90	3,254	0
26 Loans to depository institutions	61,431	31,508	43,785	20,511	10,864	7,109	4,546	2,070
27 Commercial banks in United States (including IBFs)	38,376	11,152	26,850	5,984	7,642	4,001	3,561	1,102
28 U.S. branches and agencies of other foreign banks	33,713	10,545	23,267	5,624	7,142	3,764	3,003	1,092
29 Other commercial banks in United States	4,663	607	3,583	360	500	237	558	10
30 Other depository institutions in United States (including IBFs)	209	141	166	141	42	0	0	0
31 Banks in foreign countries	22,845	20,215	16,769	14,386	3,180	3,108	985	968
32 Foreign branches of U.S. banks	586	585	498	497	65	65	18	18
33 Other banks in foreign countries	22,259	19,630	16,271	13,889	3,115	3,043	967	949
34 Other financial institutions	7,726	885	5,409	677	1,149	170	480	23
35 Commercial and industrial loans	138,218	15,966	84,552	13,706	27,279	1,640	17,119	310
36 U.S. addressees (domicile)	117,491	289	68,300	175	24,587	104	16,655	10
37 Non-U.S. addressees (domicile)	20,727	15,677	16,252	13,531	2,692	1,535	463	300
38 Acceptances of other banks	1,237	45	702	45	352	0	114	0
39 U.S. banks	279	0	141	0	85	0	4	0
40 Foreign banks	958	45	561	45	267	0	110	0
41 Loans to foreign governments and official institutions (including foreign central banks)	17,113	15,888	14,412	13,395	784	731	102	79
42 Loans for purchasing or carrying securities (secured and unsecured)	2,850	52	2,050	52	800	0	0	0
43 All other loans	2,490	335	2,087	319	52	0	192	0
44 All other assets	55,014	8,211	41,775	6,510	10,583	1,188	1,988	409
45 Customers' liability on acceptances outstanding	33,412	n.a.	24,491	n.a.	7,910	n.a.	792	n.a.
46 U.S. addressees (domicile)	22,832	n.a.	15,149	n.a.	6,865	n.a.	787	n.a.
47 Non-U.S. addressees (domicile)	10,581	n.a.	9,342	n.a.	1,045	n.a.	6	n.a.
48 Other assets including other claims on nonrelated parties	21,602	8,211	17,284	6,510	2,674	1,188	1,196	409
49 Net due from related depository institutions[5]	59,794	62,418	45,924	49,723	6,098	7,117	404	967
50 Net due from head office and other related depository institutions[5]	59,794	n.a.	45,924	n.a.	6,098	n.a.	404	n.a.
51 Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	62,418	n.a.	49,723	n.a.	7,117	n.a.	967
52 **Total liabilities[4]**	**579,512**	**276,560**	**428,794**	**222,011**	**78,779**	**27,531**	**44,143**	**17,046**
53 Liabilities to nonrelated parties	504,776	246,096	388,000	201,095	72,129	25,673	28,177	11,518

4.30—Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total excluding IBF's	IBF's only[3]	Total excluding IBF's	IBF's only[3]	Total excluding IBF's	IBF's only[3]	Total excluding IBF's	IBF's only[3]
54 Total deposits and credit balances	77,581	192,071	64,206	171,280	3,573	9,407	3,429	4,801
55 Individuals, partnerships, and corporations	62,845	16,023	51,072	9,950	2,785	434	2,897	40
56 U.S. addressees (domicile)	48,850	684	42,267	683	1,044	0	2,083	0
57 Non-U.S. addressees (domicile)	13,996	15,340	8,805	9,267	1,742	434	815	40
58 Commercial banks in United States (including IBFs)	10,398	60,068	9,211	52,057	642	5,064	514	2,639
59 U.S. branches and agencies of other foreign banks	5,069	51,526	4,560	44,872	6	4,258	482	2,125
60 Other commercial banks in United States	5,329	8,541	4,651	7,184	637	806	32	514
61 Banks in foreign countries	1,571	106,118	1,450	99,813	29	3,801	3	2,102
62 Foreign branches of U.S. banks	159	9,248	139	8,245	20	573	0	369
63 Other banks in foreign countries	1,412	96,870	1,311	91,568	9	3,229	3	1,733
64 Foreign governments and official institutions (including foreign central banks)	998	9,662	875	9,267	24	102	2	20
65 All other deposits and credit balances	1,376	200	1,284	194	58	6	2	0
66 Certified and official checks	392	n.a.	314	n.a.	35	n.a.	11	n.a.
67 Transaction accounts and credit balances (excluding IBFs)	7,336		6,212		307		223	
68 Individuals, partnerships, and corporations	4,995		4,057		260		206	
69 U.S. addressees (domicile)	3,641		3,073		217		203	
70 Non-U.S. addressees (domicile)	1,354		984		43		4	
71 Commercial banks in United States (including IBFs)	273		267		1		0	
72 U.S. branches and agencies of other foreign banks	61		60		0		0	
73 Other commercial banks in United States	211	n.a.	207	n.a.	0	n.a.	0	n.a.
74 Banks in foreign countries	1,001		931		9		3	
75 Foreign branches of U.S. banks	30		30		0		0	
76 Other banks in foreign countries	971		902		9		3	
77 Foreign governments and official institutions (including foreign central banks)	386		361		2		1	
78 All other deposits and credit balances	289		282		2		1	
79 Certified and official checks	392		314		35		11	
80 Demand deposits (included in transaction accounts and credit balances)	6,312		5,446		218		211	
81 Individuals, partnerships, and corporations	4,338		3,648		172		194	
82 U.S. addressees (domicile)	3,210		2,770		146		191	
83 Non-U.S. addressees (domicile)	1,127		878		26		4	
84 Commercial banks in United States (including IBF)s	132		127		0		0	
85 U.S. branches and agencies of other foreign banks	60		59		0		0	
86 Other commercial banks in United States	71	n.a.	67	n.a.	0	n.a.	0	n.a.
87 Banks in foreign countries	881		817		9		3	
88 Foreign branches of U.S. banks	30		30		0		0	
89 Other banks in foreign countries	851		788		9		3	
90 Foreign governments and official institutions (including foreign central banks)	330		305		2		1	
91 All other deposits and credit balances	239		234		0		1	
92 Certified and official checks	392		314		35		11	
93 Non-transaction accounts (including MMDAs, excluding IBFs)	70,245		57,994		3,266		3,206	
94 Individuals, partnerships, and corporations	57,850		47,016		2,525		2,691	
95 U.S. addressees (domicile)	45,208		39,194		826		1,880	
96 Non-U.S. addressees (domicile)	12,642		7,822		1,699		811	
97 Commercial banks in United States (including IBFs)	10,126		8,944		642		514	
98 U.S. branches and agencies of other foreign banks	5,008		4,500		6		482	
99 Other commercial banks in United States	5,118	n.a.	4,444	n.a.	636	n.a.	32	n.a.
100 Banks in foreign countries	570		519		20		0	
101 Foreign branches of U.S. banks	130		110		20		0	
102 Other banks in foreign countries	441		409		0		0	
103 Foreign governments and official institutions (including foreign central banks)	612		514		22		1	
104 All other deposits and credit balances	1,087		1,002		56		1	
105 IBF deposit liabilities		192,071		171,280		9,407		4,801
106 Individuals, partnerships, and corporations		16,023		9,950		434		40
107 U.S. addressees (domicile)		684		683		0		0
108 Non-U.S. addressees (domicile)		15,340		9,267		434		40
109 Commercial banks in United States (including IBFs)		60,068		52,057		5,064		2,639
110 U.S. branches and agencies of other foreign banks		51,526		44,872		4,258		2,125
111 Other commercial banks in United States	n.a.	8,541	n.a.	7,184	n.a.	806	n.a.	514
112 Banks in foreign countries		106,118		99,813		3,801		2,102
113 Foreign branches of U.S. banks		9,248		8,245		573		369
114 Other banks in foreign countries		96,870		91,568		3,229		1,733
115 Foreign governments and official institutions (including foreign central banks)		9,662		9,267		102		20
116 All other deposits and credit balances		200		194		6		0

For notes see end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1989[1]—Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]
117 Federal funds purchased and securities sold under agreements to repurchase	51,661	6,264	37,175	3,697	10,064	2,129	3,825	365
118 U.S. branches and agencies of other foreign banks	12,247	1,827	6,977	362	4,054	1,284	971	181
119 Other commercial banks in United States	14,380	563	8,529	490	3,669	48	1,996	25
120 Other	25,033	3,874	21,670	2,845	2,341	797	859	159
121 Other borrowed money	129,838	40,295	75,441	20,076	38,207	13,133	14,019	6,052
122 Owed to nonrelated commercial banks in United States (including IBFs)	80,314	15,272	42,743	4,687	28,195	7,961	7,969	2,030
123 Owed to U.S. offices of nonrelated U.S. banks	35,529	2,050	22,046	832	9,456	874	3,551	174
124 Owed to U.S. branches and agencies of nonrelated foreign banks	44,785	13,222	20,698	3,855	18,739	7,087	4,418	1,856
125 Owed to nonrelated banks in foreign countries	23,842	23,119	14,105	13,490	5,217	5,167	4,057	4,022
126 Owed to foreign branches of nonrelated U.S. banks	2,724	2,678	1,151	1,104	989	989	498	498
127 Owed to foreign offices of nonrelated foreign banks	21,118	20,441	12,955	12,386	4,228	4,178	3,559	3,524
128 Owed to others	25,682	1,903	18,592	1,898	4,795	5	1,993	0
129 All other liabilites	53,625	7,466	39,897	6,042	10,878	1,004	2,102	300
130 Branch or agency liability on acceptances executed and outstanding	34,688	n.a.	24,528	n.a.	8,485	n.a.	1,222	n.a.
131 Other liabilities to nonrelated parties	18,937	7,466	15,369	6,042	2,394	1,004	880	300
132 Net due to related depository institutions[5]	74,737	30,464	40,794	20,916	6,649	1,858	15,966	5,528
133 Net due to head office and other related depository institutions[5]	74,737	n.a.	40,794	n.a.	6,649	n.a.	15,966	n.a.
134 Net due to establishing entity, head office, and other related depository institutions[5]	n.a.	30,464	n.a.	20,916	n.a.	1,858	n.a.	5,528
MEMO								
135 Non-interest bearing balances with commercial banks in United States	2,170	1	1,905	1	98	0	80	0
136 Holding of commercial paper included in total loans	909		670		217		15	
137 Holding of own acceptances included in commercial and industrial loans	2,142		1,365		501		113	
138 Commercial and industrial loans with remaining maturity of one year or less	73,121		42,921		14,876		9,418	
139 Predetermined interest rates	41,600	n.a.	22,912	n.a.	9,861	n.a.	5,461	n.a.
140 Floating interest rates	31,522		20,009		5,016		3,957	
141 Commercial and industrial loans with remaining maturity of more than one year	65,096		41,631		12,403		7,700	
142 Predetermined interest rates	24,836		17,577		4,158		2,447	
143 Floating interest rates	40,260		24,054		8,245		5,253	

4.30—Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]
144 Components of total nontransaction accounts, included in total deposits and credit balances of nontransactional accounts, including IBFs	84,892	↑	72,766	↑	3,358	↑	3,340	↑
145 Time CDs in denominations of $100,000 or more	48,973		40,632		2,146		1,812	
146 Other time deposits in denominations of $100,000 or more	13,758	n.a.	11,920	n.a.	648	n.a.	1,082	n.a.
147 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	22,161	↓	20,214	↓	563	↓	446	↓
	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
148 Market value of securities held	37,262	11,489	31,882	9,583	3,482	1,284	1,160	539
149 Immediately available funds with a maturity greater than one day included in other borrowed money	72,624	n.a.	42,766	n.a.	24,366	n.a.	4,431	n.a.
150 Number of reports filed[6]	548	0	255	0	128	0	55	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." Details may not add to totals because of rounding. This 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.

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). As of December 31, 1985 data for IBFs are 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 re 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 due to related banking institutions in the United States and in foreign countries (see footnote 5). On the former monthly branch and agencyu report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefopre, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. "Related banking institutions" includes the foreign head office and other U.S. and foreign branches and agencies of the bank, the 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.

NOTE. Revised data for December 1988, mislabeled December 1989, were inadvertently published in the June 1990 *Bulletin*.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1990[1]

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]
1 **Total assets[4]**	**564,966**	**258,730**	**415,206**	**208,445**	**80,013**	**25,513**	**41,200**	**14,710**
2 Claims on nonrelated parties	505,133	201,519	370,122	162,852	72,986	19,595	40,820	13,794
3 Cash and balances due from depository institutions	138,322	115,425	117,323	97,265	8,433	7,453	10,854	9,668
4 Cash items in process of collection and unposted debits	1,279	0	1,203	0	52	0	5	0
5 Currency and coin (U.S. and foreign)	22	n.a.	16	n.a.	2	n.a.	1	n.a.
6 Balances with depository institutions in United States	73,298	53,619	62,572	45,176	4,160	3,433	5,895	4,759
7 U.S. branches and agencies of other foreign banks (including their IBFs)	63,725	50,165	54,571	42,074	3,504	3,283	5,176	4,573
8 Other depository institutions in United States (including their IBFs)	9,573	3,454	8,001	3,102	656	151	719	186
9 Balances with banks in foreign countries and with foreign central banks	62,819	61,806	52,790	52,089	4,158	4,019	4,910	4,908
10 Foreign branches of U.S. banks	968	895	815	743	78	77	70	70
11 Other banks in foreign countries and foreign central banks	61,851	60,910	51,974	51,346	4,081	3,942	4,840	4,838
12 Balances with Federal Reserve Banks	904	n.a.	743	n.a.	61	n.a.	43	n.a.
13 ***Total securities and loans***	***298,443***	***73,541***	***198,923***	***55,561***	***53,714***	***10,273***	***27,382***	***3,612***
14 Total securities, book value	41,638	12,521	36,074	10,464	3,605	1,454	1,212	521
15 U.S. Treasury	8,546	n.a.	8,254	n.a.	57	n.a.	172	n.a.
16 Obligations of U.S. government agencies and corporations	5,716	n.a.	5,496	n.a.	138	n.a.	12	n.a.
17 Other bonds, notes, debentures and corporate stock (including state and local securities)	27,376	12,521	22,324	10,464	3,409	1,454	1,028	521
18 Federal funds sold and securities purchased under agreements to resell	17,134	4,348	15,053	3,503	1,160	806	589	0
19 U.S. branches and agencies of other foreign banks	9,992	3,276	8,482	2,563	873	696	512	0
20 Commercial banks in United States	4,039	12	3,634	10	175	0	45	0
21 Other	3,103	1,060	2,938	930	112	110	32	0
22 Total loans, gross	257,013	61,058	162,985	45,132	50,164	8,821	26,181	3,091
23 Less: Unearned income on loans	207	38	137	35	55	2	10	0
24 Equals: Loans, net	256,805	61,020	162,848	45,097	50,109	8,819	26,171	3,091
Total loans, gross, by category								
25 Real estate loans	34,664	336	19,341	178	8,900	117	3,912	35
26 Loans to depository institutions	58,863	30,498	41,829	19,525	9,964	6,619	4,957	2,651
27 Commercial banks in United States (including IBFs)	37,852	11,608	26,307	5,913	7,242	3,967	3,860	1,562
28 U.S. branches and agencies of other foreign banks	32,727	11,094	22,258	5,595	6,789	3,795	3,316	1,537
29 Other commercial banks in United States	5,126	515	4,049	318	453	172	544	25
30 Other depository institutions in United States (including IBFs)	215	108	207	108	7	0	0	0
31 Banks in foreign countries	20,796	18,781	15,315	13,505	2,716	2,652	1,096	1,088
32 Foreign branches of U.S. banks	276	245	252	221	15	15	9	9
33 Other banks in foreign countries	20,520	18,537	15,063	13,284	2,701	2,637	1,088	1,079
34 Other financial institutions	7,250	936	5,207	735	1,001	162	482	28
35 Commercial and industrial loans	134,415	14,687	78,841	12,538	28,901	1,475	16,434	288
36 U.S. addressees (domicile)	115,288	219	63,932	135	26,302	74	16,039	10
37 Non-U.S. addressees (domicile)	19,127	14,468	14,910	12,403	2,599	1,402	395	278
38 Acceptances of other banks	1,357	37	996	37	189	0	100	0
39 U.S. banks	610	0	471	0	66	0	2	0
40 Foreign banks	747	37	524	37	122	0	98	0
41 Loans to foreign governments and official institutions (including foreign central banks)	15,338	14,167	12,706	11,741	504	448	101	91
42 Loans for purchasing or carrying securities (secured and unsecured)	2,430	45	1,798	45	630	0	0	0
43 All other loans	2,697	351	2,267	331	75	0	195	0
44 All other assets	51,234	8,205	38,822	6,523	9,679	1,064	1,994	514
45 Customers' liability on acceptances outstanding	29,068	n.a.	20,918	n.a.	7,181	n.a.	696	n.a.
46 U.S. addressees (domicile)	20,319	n.a.	13,090	n.a.	6,459	n.a.	680	n.a.
47 Non-U.S. addressees (domicile)	8,749	n.a.	7,828	n.a.	722	n.a.	15	n.a.
48 Other assets including other claims on nonrelated parties	22,166	8,205	17,904	6,523	2,498	1,064	1,298	514
49 *Net due from related depository institutions[5]*	*59,833*	*57,211*	*45,084*	*45,593*	*7,027*	*5,918*	*381*	*916*
50 Net due from head office and other related depository institutions[5]	59,833	n.a.	45,084	n.a.	7,027	n.a.	381	n.a.
51 Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	57,211	n.a.	45,593	n.a.	5,918	n.a.	916
52 **Total liabilities[4]**	**564,966**	**258,730**	**415,206**	**208,445**	**80,013**	**25,513**	**41,200**	**14,710**
53 Liabilities to nonrelated parties	491,844	226,015	374,850	184,172	73,057	23,303	28,223	11,169

4.30—Continued

Millions of dollars

Item	All states[2] Total excluding IBF's	All states[2] IBF's only[3]	New York Total excluding IBF's	New York IBF's only[3]	California Total excluding IBF's	California IBF's only[3]	Illinois Total excluding IBF's	Illinois IBF's only[3]
54 Total deposits and credit balances	76,322	175,354	63,240	155,847	3,919	8,673	3,069	4,287
55 Individuals, partnerships, and corporations	60,965	16,490	49,569	10,506	3,060	364	2,469	65
56 U.S. addressees (domicile)	46,600	371	40,692	367	1,224	0	1,664	3
57 Non-U.S. addressees (domicile)	14,365	16,119	8,877	10,138	1,837	364	805	62
58 Commercial banks in United States (including IBFs)	10,624	56,277	9,244	49,899	768	4,357	579	1,768
59 U.S. branches and agencies of other foreign banks	5,207	48,709	4,695	43,046	16	3,935	472	1,502
60 Other commercial banks in United States	5,416	7,568	4,548	6,853	752	422	107	266
61 Banks in foreign countries	1,743	92,579	1,624	85,714	29	3,861	2	2,432
62 Foreign branches of U.S. banks	242	6,718	222	6,072	20	415	0	220
63 Other banks in foreign countries	1,500	85,861	1,401	79,642	9	3,446	2	2,213
64 Foreign governments and official institutions (including foreign central banks)	1,148	9,905	1,057	9,630	20	91	5	21
65 All other deposits and credit balances	1,501	103	1,463	98	19	0	1	0
66 Certified and official checks	342	n.a.	284	n.a.	23	n.a.	12	n.a.
67 Transaction accounts and credit balances (excluding IBFs)	7,334		6,044		442		260	
68 Individuals, partnerships, and corporations	5,080		3,950		404		244	
69 U.S. addressees (domicile)	3,695		2,966		367		240	
70 Non-U.S. addressees (domicile)	1,385		984		37		4	
71 Commercial banks in United States (including IBFs)	118		113		1		0	
72 U.S. branches and agencies of other foreign banks	40		39		0		0	
73 Other commercial banks in United States	79	n.a.	74	n.a.	1	n.a.	0	n.a.
74 Banks in foreign countries	1,035		972		9		2	
75 Foreign branches of U.S. banks	53		53		0		0	
76 Other banks in foreign countries	982		919		9		2	
77 Foreign governments and official institutions (including foreign central banks)	403		385		2		2	
78 All other deposits and credit balances	355		340		3		0	
79 Certified and official checks	342		284		23		12	
80 Demand deposits (included in transaction accounts and credit balances)	6,126		5,240		231		235	
81 Individuals, partnerships, and corporations	4,265		3,529		196		218	
82 U.S. addressees (domicile)	3,108		2,640		171		215	
83 Non-U.S. addressees (domicile)	1,157		888		26		4	
84 Commercial banks in United States (including IBF)s	50		45		1		0	
85 U.S. branches and agencies of other foreign banks	6		5		0		0	
86 Other commercial banks in United States	45	n.a.	41	n.a.	1	n.a.	0	n.a.
87 Banks in foreign countries	806		750		8		2	
88 Foreign branches of U.S. banks	17		17		0		0	
89 Other banks in foreign countries	790		733		8		2	
90 Foreign governments and official institutions (including foreign central banks)	346		328		2		2	
91 All other deposits and credit balances	317		305		1		0	
92 Certified and official checks	342		284		23		12	
93 Non-transaction accounts (including MMDAs, excluding IBFs)	68,989		57,196		3,477		2,809	
94 Individuals, partnerships, and corporations	55,885		45,619		2,656		2,226	
95 U.S. addressees (domicile)	42,904		37,726		857		1,424	
96 Non-U.S. addressees (domicile)	12,980		7,893		1,799		802	
97 Commercial banks in United States (including IBFs)	10,505		9,131		767		579	
98 U.S. branches and agencies of other foreign banks	5,168		4,657		16		472	
99 Other commercial banks in United States	5,338	n.a.	4,474	n.a.	751	n.a.	107	n.a.
100 Banks in foreign countries	708		652		20		0	
101 Foreign branches of U.S. banks	190		170		20		0	
102 Other banks in foreign countries	518		482		0		0	
103 Foreign governments and official institutions (including foreign central banks)	745		672		18		4	
104 All other deposits and credit balances	1,146		1,123		16		1	
105 IBF deposit liabilities		175,354		155,847		8,673		4,287
106 Individuals, partnerships, and corporations		16,490		10,506		364		65
107 U.S. addressees (domicile)		371		367		0		3
108 Non-U.S. addressees (domicile)		16,119		10,138		364		62
109 Commercial banks in United States (including IBFs)		56,277		49,899		4,357		1,768
110 U.S. branches and agencies of other foreign banks		48,709		43,046		3,935		1,502
111 Other commercial banks in United States	n.a.	7,568	n.a.	6,853	n.a.	422	n.a.	266
112 Banks in foreign countries		92,579		85,714		3,861		2,432
113 Foreign branches of U.S. banks		6,718		6,072		415		220
114 Other banks in foreign countries		85,861		79,642		3,446		2,213
115 Foreign governments and official institutions (including foreign central banks)		9,905		9,630		91		21
116 All other deposits and credit balances		103		98		0		0

For notes see end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1990[1]—Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]	Total including IBF's	IBF's only[3]
117 Federal funds purchased and securities sold under agreements to repurchase	64,171	6,908	44,153	4,039	14,591	2,457	4,844	333
118 U.S. branches and agencies of other foreign banks	13,075	3,111	7,785	1,053	4,197	1,832	1,034	220
119 Other commercial banks in United States	25,201	864	15,831	814	5,959	50	3,054	0
120 Other	25,895	2,933	20,538	2,172	4,435	575	755	113
121 Other borrowed money	124,499	36,724	72,811	18,711	35,983	11,190	14,013	6,173
122 Owed to nonrelated commercial banks in United States (including IBFs)	75,242	14,699	39,798	4,077	25,887	7,389	8,292	2,737
123 Owed to U.S. offices of nonrelated U.S. banks	31,927	2,112	18,011	994	9,569	662	3,813	262
124 Owed to U.S. branches and agencies of nonrelated foreign banks	43,315	12,588	21,787	3,083	16,317	6,727	4,478	2,476
125 Owed to nonrelated banks in foreign countries	20,643	20,155	13,104	12,799	3,889	3,767	3,493	3,436
126 Owed to foreign branches of nonrelated U.S. banks	1,976	1,907	939	911	511	471	446	446
127 Owed to foreign offices of nonrelated foreign banks	18,667	18,248	12,165	11,888	3,378	3,296	3,047	2,990
128 Owed to others	28,614	1,870	19,909	1,835	6,207	35	2,229	0
129 All other liabilites	51,498	7,029	38,798	5,574	9,892	983	2,011	377
130 Branch or agency liability on acceptances executed and outstanding	32,526	n.a.	23,260	n.a.	7,718	n.a.	1,019	n.a.
131 Other liabilities to nonrelated parties	18,972	7,029	15,538	5,574	2,174	983	992	377
132 Net due to related depository institutions[5]	73,122	32,715	40,355	24,274	6,956	2,210	12,977	3,541
133 Net due to head office and other related depository institutions[5]	73,122	n.a.	40,355	n.a.	6,956	n.a.	12,977	n.a.
134 Net due to establishing entity, head office, and other related depository institutions[5]	n.a.	32,715	n.a.	24,274	n.a.	2,210	n.a.	3,541
MEMO								
135 Non-interest bearing balances with commercial banks in United States	1,772	7	1,516	7	103	0	79	0
136 Holding of commercial paper included in total loans	811		616		172		15	
137 Holding of own acceptances included in commercial and industrial loans	1,995		1,348		405		94	
138 Commercial and industrial loans with remaining maturity of one year or less	70,767		39,223		16,139		9,411	
139 Predetermined interest rates	42,462	n.a.	21,440	n.a.	11,236	n.a.	5,603	n.a.
140 Floating interest rates	28,305		17,783		4,902		3,808	
141 Commercial and industrial loans with remaining maturity of more than one year	63,648		39,618		12,762		7,023	
142 Predetermined interest rates	21,103		13,800		3,937		2,403	
143 Floating interest rates	42,544		25,818		8,825		4,619	

4.30—Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]
144 Components of total nontransaction accounts, included in total deposits and credit balances of nontransactional accounts, including IBFs	86,033	↑	74,472	↑	3,696	↑	2,834	↑
145 Time CDs in denominations of $100,000 or more	49,019		41,162		2,447		1,447	
146 Other time deposits in denominations of $100,000 or more	14,762	n.a.	12,741	n.a.	705	n.a.	1,158	n.a.
147 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	22,253	↓	20,568	↓	543	↓	228	↓
	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
148 Market value of securities held	39,703	12,014	34,340	9,982	3,468	1,432	1,203	518
149 Immediately available funds with a maturity greater than one day included in other borrowed money	70,042	n.a.	40,937	n.a.	22,573	n.a.	5,391	n.a.
150 Number of reports filed[6]	550	0	254	0	130	0	54	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." Details may not add to totals because of rounding. This 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.

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). As of December 31, 1985 data for IBFs are 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 re 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 due to related banking institutions in the United States and in foreign countries (see footnote 5). On the former monthly branch and agencyu report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefopre, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. "Related banking institutions" includes the foreign head office and other U.S. and foreign branches and agencies of the bank, the 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 balance sheet for priced services of the Federal Reserve System[1]

Millions of dollars

Item	March 31, 1990		March 31, 1989	
Short-term assets[2]				
Imputed reserve requirement on clearing balances	204.7		217.9	
Investment in marketable securities	1,501.3		1,598.1	
Receivables	61.9		61.2	
Materials and supplies	6.5		6.3	
Prepaid expenses	28.0		23.4	
Items in process of collection	2,872.3		3,509.2	
Total short-term assets		4,674.6		5,416.2
Long-term assets[3]				
Premises	291.7		275.8	
Furniture and equipment	125.5		123.9	
Leases and leasehold improvements	6.0		6.2	
Prepaid pension costs	55.8		41.1	
Total long-term assets		479.0		447.0
Total assets		**5,153.6**		**5,863.2**
Short-term liabilities				
Clearing balances and balances arising from early credit of uncollected items	2,114.3		2,219.5	
Deferred availability items	2,464.0		3,105.7	
Short-term debt	96.3		90.9	
Total short-term liabilities		4,674.6		5,416.2
Long-term liabilities				
Obligations under capital leases	1.2		1.2	
Long-term debt	134.2		128.7	
Total long-term liabilities		135.4		129.9
Total liabilities		**4,810.0**		**5,546.1**
Equity		343.6		317.1
Total liabilities and equity[4]		**5,153.6**		**5,863.2**

1. Details may not sum to totals because of rounding.

2. The imputed reserve requirement on clearing balances and investment in marketable securities reflect the Federal Reserve's treatment of clearing balances maintained on deposit with Reserve Banks by depository institutions. For presentation of the balance sheet and the income statement, clearing balances are reported in a manner comparable to the way correspondent banks report compensating balances held with them by respondent institutions. That is, respondent balances held with a correspondent are subject to a reserve requirement established by the Federal Reserve. This reserve requirement must be satisfied with either vault cash or with nonearning balances maintained at a Reserve Bank. Following this model, clearing balances maintained with Reserve Banks for priced service purposes are subjected to imputed reserve requirements. Therefore, a portion of the clearing balances held with the Federal Reserve is classified on the asset side of the balance sheet as required reserves and is reflected in a manner similar to vault cash and due from bank balances normally shown on a correspondent bank's balance sheet. The remainder of clearing balances is assumed to be available for investment. For these purposes, the Federal Reserve assumes that all such balances are invested in three-month Treasury bills.

The account "items in the process of collection" (CIPC) represents the gross amount of Federal Reserve CIPC as of the balance sheet date, stated on a basis comparable with a commercial bank. Adjustments have been made for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; items associated with nonpriced items, such as items collected for government agencies; and items associated with providing fixed availability or credit prior to receipt and processing of items. The cost base for providing services that must be recovered under the Monetary Control Act includes the cost of float (the difference between the value of gross CIPC and the value of deferred availability items) incurred by the Federal Reserve during the period, valued at the federal funds rate. The amount of float, or net CIPC, represents the portion of gross CIPC that involves a financing cost.

3. Long-term assets on the balance sheet have been allocated to priced services with the direct determination method, which uses the Federal Reserve's Planning and Control System (PACS) to ascertain directly the value of assets used solely in priced services operations and to apportion the value of jointly used assets between priced services and nonpriced services. Also, long-term assets include an estimate of the assets of the Board of Governors directly involved in the development of priced services.

Long-term assets include amounts for capital leases and leasehold improvements and for prepaid pension costs associated with priced services. Effective January 1, 1987, the Federal Reserve Banks implemented Financial Accounting Standards Board Statement No. 87, Employer's Accounting for Pensions.

4. A matched-book capital structure has been used for those assets that are not "self-financing" in determining liability and equity amounts. Short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt to equity for the bank holding companies used in the model for the private sector adjustment factor (PSAF).

4.32 Pro forma income statement for priced services of the Federal Reserve System[1]

Millions of dollars

Item	Quarter ending March 31			
	1990		1989	
Income services provided to depository institutions[2]		181.9		177.1
Production expenses[3]		145.8		138.2
Income from operations		36.1		38.9
Imputed costs[4]				
Interest on float	8.4		14.3	
Interest on debt	4.2		4.2	
Sales taxes	1.8		1.8	
FDIC insurance	1.2	15.6	.4	20.8
Income from operations after imputed costs		20.5		18.1
Other income and expenses[5]				
Investment income	37.6		41.1	
Earnings credits	32.9	4.8	34.4	6.7
Income before income taxes		25.2		24.8
Imputed income taxes[6]		7.0		5.1
Net income		**18.2**		**19.7**
MEMO				
Targeted return on equity[6]		8.4		8.2

1. The income statement reflects income and expenses for priced services. Included in these amounts are the imputed costs of float, imputed financing costs, and the income related to clearing balances.

Details may not add to totals because of rounding.

2. Income represents charges to depository institutions for priced services. This income is realized through one of two methods: direct charges to an institution's account or charges against accumulated earnings credits. Income includes charges for per-item fees, fixed fees, package fees, explicitly priced float, account maintenance fees, shipping and insurance fees, and surcharges.

3. Production expenses include direct, indirect, and other general administrative expenses of the Federal Reserve Banks for providing priced services. Also included are the expenses of staff members of the Board of Governors working directly on the development of priced services, which amounted to $0.4 million in the first quarter for both 1990 and 1989.

4. *Imputed float costs represent the value of float to be recovered, either* explicitly or through per-item fees, during the period. Float costs include those for checks, book-entry securities, noncash collection, ACH, and wire transfers.

The following table depicts the daily average recovery of float by the Federal Reserve Banks for the first quarter of 1990. In the table, unrecovered float includes that generated by services to government agencies or by other central bank services.

Float recovered through income on clearing balances represents increased investable clearing balances as a result of reducing imputed reserve requirements through the use of a deduction for float for cash items in process of collection when calculating the reserve requirement. This income then reduces the float required to be recovered through other means.

As-of adjustments and direct charges refer to midweek closing float and interterritory check float, which may be recovered from depositing institutions through adjustments to the institution's reserve or clearing balance or by valuing the float at the federal funds rate and billing the institution directly.

Float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the first quarter of 1990

Total float	772.0
Unrecovered float	(8.0)
Float subject to recovery	780.0
Sources of float recovery	
Income on clearing balances	93.6
As of adjustments	383.1
Direct charges	130.1
Per-item fees	173.0

Also included in imputed costs is the interest on debt assumed necessary to finance priced-service assets and the sales taxes and FDIC insurance assessment that the Federal Reserve would have paid had it been a private-sector firm.

5. Other income and expenses consist of income on clearing balances and the cost of earnings credits granted to depository institutions on their clearing balances. Income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the *total* clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits are derived by applying the average federal funds rate to the *required* portion of the clearing balances, adjusted for the net effect of reserve requirements on clearing balances.

6. Imputed income taxes are calculated at the effective tax rate derived from a model consisting of the 50 largest bank holding companies. The targeted return on equity represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm, based on the bank holding company model.

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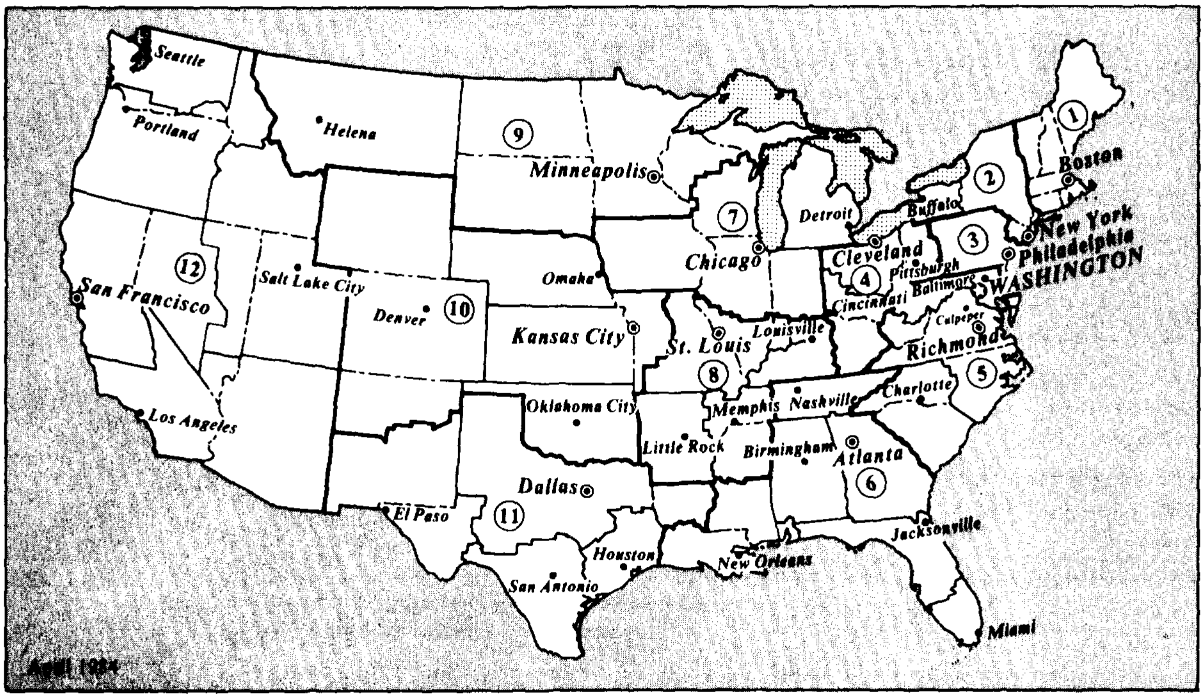

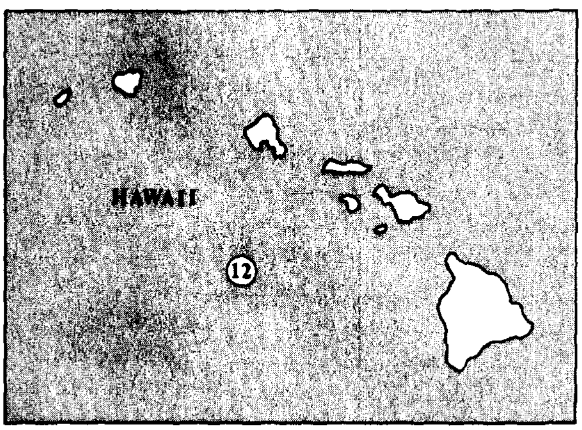

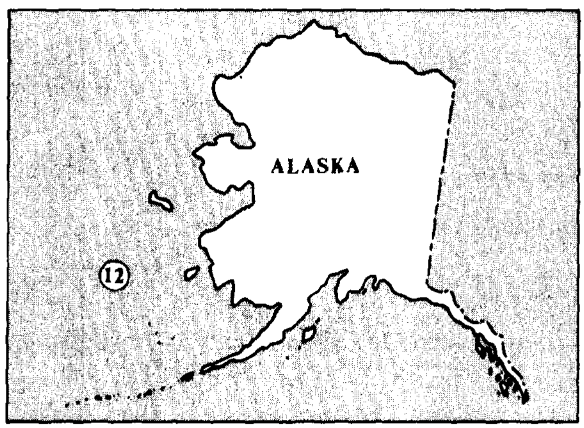

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